

NEW YORK UNIVERSITY  
CORPORATE TURNAROUNDS & LEADERSHIP: LAW & BUSINESS  
LAW-LW.12254.001; BSPA-GB.3362.10  
TRANSFORMING CRISIS TO OPPORTUNITY  
FALL TERM 2024

Dates: September 17- December 10

Meeting Time: Tuesday, 4:30-7:30 pm

Classroom: Vanderbilt Hall, room 216

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Teaching Assistant:

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Professor's Offices: 44 West 4<sup>th</sup> Street, Suite 7-146

Office Hours: Available to meet by appointment.

**Course Objectives:**

This course is interdisciplinary and 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.

This course strives to support and cultivate diversity of thought, perspectives, and experiences. The intent is to present materials and activities that will challenge your current perspectives with a goal of understanding how others might see situations differently. By participating in this course, it is the expectation that everyone commits to making this an inclusive learning environment for all.



**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, strategy, 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, strategy, 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	35%
Short Papers	30%
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 attend all classes and 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. Please use the study questions as a guide to your reading and be prepared to discuss your answers to them in class. The instructor may ask students to present the assigned materials as a basis for discussion. **Merely being in class is not evidence of participation; you will need to be actively engaged in a manner that reflects advanced preparation.**

### **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 Brightspace and are due on or before Sessions 3, 5, and 8.

### **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 (including quarterly numbers as appropriate), liquidation analysis, short and long-term cash flow considerations (including time to run out of funds), benchmarking); and an action plan (including pro-forma numbers) to restore the company to a profitable state.** The presentation should address ownership structure and considerations if appropriate. (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 to the analysis (text, cases, and leadership lessons) and demonstrating mastery of the course concepts is essential.** The presentation slides or other written product should be submitted to the professor before beginning the case presentation in class. After the presentation, which is to last approximately 40 minutes, the team is expected to lead the class in a 10-minute discussion. 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 Brightspace under "Course Materials".**

### **Readings:**

1. Required Textbook: **Corporate Turnaround: How Managers Turn Losers into Winners** by Donald B. Bibeault. Beard Books, 1999. Available at the NYU Professional Bookstore.
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. Hover the mouse over the Books menu and click on "Textbooks & Course Materials."
  - c. Input the semester and course using the drop-down menus.
  - d. Expand the course pack listing, check the box, and add it to the cart.
  - 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 Brightspace under "Course Materials".

### **Class Schedule:**

#### **Session #1:**

Failure and Decline in Perspective; Predictable Organizational Crisis; Most Common Management Errors; Early Warning Signals of Decline- Quantitative and Qualitative (cognitive biases and psychological elements of turnarounds)

(This session has some more reading material than the remaining sessions, as there are introductory concepts that we will be referring to throughout the semester.)

### **Textbook:**

Course Overview and Introduction:

Introduction, Pages 1-4;  
Chapter 9, Pages 81-90



**Readings:**

- Why Companies Fail by Megan McArdle
- Stop Doubling Down on Your Failing Strategy, Freek Vermeulen and Niro Sivanathan, HBR, November-December 2017
- Leadership and the Psychology of Turnarounds by Rosabeth Moss Kanter
- Rhetoric by Aristotle, Book I, Part 2
- Begin With Trust, Frances Frei, Anne Morriss, Harvard Business Review, May-June 2020
- A CEO's Guide to Reenergizing the Senior Team, Derek Dean, McKinsey Quarterly, September, 2009

**Cases:**

- Distress Prediction Models: Catalysts for Constructive Change- Managing a Financial Turnaround

**Interviews:**

- Bernardo Hees of Kraft Heinz: 'New Mistakes Are Welcome,' David Gelles, NY Times, May 3, 2018
- If the Boss Rides a Harley, He Must Be Human, NY Times Corner Office, May 1, 2013
- In A Near-Death Event, a Corporate Rite of Passage, NY Times, Corner Office, August 2, 2009
- I'm Prepared for Adversity. I Waited Tables, NY Times, Corner Office, June 6, 2010
- Finding Purpose in Tunneling Through Granite, NY Times, Corner Office, April 13, 2013

**Questions:**

1. What is the pathology/cycle of decline in organizations as depicted in "Why Companies Fail," "Leadership and the Psychology of Turnarounds" and "Stop Doubling Down on Your Failing Strategy"? Integrating the readings, 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?

**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



- Stakeholder Mapping, Spector of Bankruptcy, Liquidation Analysis

### **Textbook:**

Chapter 10, Pages 91-109

Chapter 11, Pages 111-123

### **Readings:**

- Scary Times for US Companies Spell Boom for Restructuring Advisers, Matthew Goldstein and Mary Williams Walsh, NY Times, March 30, 2020
- Coming Through in a Crisis: How Chapter 11 and the Debt Restructuring Industry Are Helping to Revive the U.S. Economy, Stuart Gilson, Journal of Applied Corporate Finance, Volume 24, Number 4, Fall 2012 (**Not Case Studies**)
- When Does A Small Business File For Bankruptcy? And 8 More Questions, Amy Haimeri, NY Times, May 1, 2020
- The Power Players That Dominate Chapter 11 Bankruptcy by Tom Corrigan, Joel Eastwood and Jennifer S. Forsyth, WSJ, May 24, 2019
- Turnaround Management: The Past as Prologue, Howard Brownstein
- Management is More Than A Science, Roger L. Martin and Tony Golsby-Smith, HBR, September-October 2017
- Asset Transfers Leave Creditors feeling 'J Screwed,' Joe Rennison, Financial Times, June 5, 2020

### **Cases:**

- Dragonfly Corporation by Howard H. Stevenson and Jim Sharpe
- Burger Chain Turns Pioneer for New Small-Business Bankruptcy Law, Shane Shifflett, Wall Street Journal, July 11, 2020
- US Companies in Distress Turn to Debt Exchanges to Dodge Bankruptcy, Harriet Clarfelt, Financial Times, April 27, 2023

### **Interviews:**

- The Art of Adding by Taking Away, NY Times, Corner Office, January 19, 2013
- In Sports or Business, Always Prepare for the Next Play, NY Times, Corner Office, November 10, 2012
- If Supervisors Respect the Values, So Will Everyone Else, NY Times, Corner Office, January 26, 2013

### **Questions:**

1. 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.

2. What are the pros and cons in an analysis of a bankruptcy decision?

### **Session # 3:**

Role of Management and Leadership: Management Change; Turnaround Leader Characteristics; Taking Charge (first 90 days); Motivating the Organization; Corporate Culture

### **Textbook:**

Chapter 8, Pages 73-77

Chapters 13-16, Pages 141-199

### **Readings:**

- Changing Company Culture Requires a Movement, not a Mandate, Bryan Walker and Sarah A. Soule, HBR, June 20, 2017
- In a Life or Death Crisis, Humility is Everything, Sam Walker, WSJ, July 26, 2019
- The Elements of Good Judgment, Sir Andrew Likierman, Harvard Business Review, January-February 2020
- If, Rudyard Kipling

### **Cases:**

- Tipping Point Leadership by W. Chan Kim and Renee Mauborgne
- Walmart US CEO Workers Biggest Complaints, Hayley Peterson, Business Insider, March 13, 2019
- Create Stories That Change Your Company's Culture, Jay B. Barney, Manoel Amorim, and Carlos Julio, Harvard Business Review, September-October 2023
- Story-Telling That Drives Bold Change, Frances Frei and Anne Morriss, Harvard Business Review, November-December 2023

### **Interviews:**

- He Prizes Questions More than Answers, NY Times, Corner Office, October 25, 2009
- Do You Share Our Goals? Sign Our Constitution, NY Times, Corner Office, February 18, 2012
- Leadership Never Looks Prepackaged, NY Times, Corner Office, August 18, 2012
- Wain Kellum on Winning Over Employees, NY Times, Corner Office, August 22, 2013
- Want to Lead? Learn to Nurture Your Butterflies, NY Times, Corner Office, November 19, 2011

### **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.
2. From the leadership interviews to date, and "The Elements of Good Judgment," what are the leadership qualities/techniques/methods that are most applicable to turnarounds and why?
3. Crystallize the readings to create an action plan for the first 90 days.

#### **Session # 4:**

##### **Role of Management and Leadership- Moral Obligations in Downsizing**

#### **Readings:**

- More People Will Be Fired in the Pandemic. Let's Talk About It., Jennifer Senior, NY Times, June 14, 2020
- Pay Cuts Become a Tool for Some Companies to Avoid Layoffs, Nelson D. Schwartz, NY Times, May 24, 2020
- Layoffs That Don't Break Your Company, Better Approaches to Workforce Transitions, Sandra J. Sucher and Shalene Gupta, May-June 2018, HBR
- 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
- Reorganization Without Tears, by Rose Beauchamp, Stephen Heidari-Robinson and Suzanne Heywood, McKinsey & Co., October 2016
- Firing With Compassion, Joel Peterson, Harvard Business Review, March- April 2020
- Layoffs by Email Show What Employers Really Think of Their Workers, Elizabeth Spiers, NYTimes, January 29, 2023

#### **Cases:**

- Allen & Overy: Surviving the Banking Crisis, by Laura Empson, Karina Shaw and Lisa Rohrer, HLS 16-13, July 14, 2016
- Best Buy's Secrets for Thriving in the Amazon Age, Kevin Roose, NY Times, September 18, 2017
- How Hubert Joly Changed Best Buy Without Everyone Hating Him, Hubert Joly, WSJ, April 23, 2021

#### **Interviews:**

- David Reimer of Merryck & co., on Sticking to Values, NY Times, Corner Office, July 13, 2013
- At Yum Brands, Rewards for Good Work, NY Times, Corner Office, July 12, 2009
- Feedback in Heaping Helpings, NY Times, Corner Office, March 29, 2009



- Max Levchin of Affirm: Seeking the Endurance Athletes of Business, NY Times, Corner Office, December 9, 2016

### **Questions:**

1. 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, or as an alternative to, downsizing? When is retrenchment counterproductive to assuring short and long-term success?
2. Integrating the readings, describe the key objectives, guiding principles, and detailed execution plan for the Allen & Overy restructuring. Pay particular attention to the stakeholders, sequencing of events, and the communication elements of the plan.

### **Session # 5:**

#### **Textbook:**

Turnaround Strategies and Practices:

The Evaluation Stage: Structure of Evaluation; Viability: Financial, Competitive, Organizational Assessments  
Chapter 17, Pages 203-229

Planning Strategies by Stage: Contrast the Various Planning Requirements by Stage of Turnaround  
Chapter 18, Pages 231-261

#### **Cases:**

- Right Away and All at Once: How We Saved Continental by Greg Brenneman
- Delta CEO Ed Bastian: 'Leadership is not a Popularity Contest', NY Times, Corner Office, February 21, 2019
- 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, NY Times International Business, June 15, 2015
- How CEOs Think the Covid Crisis Will Shape Flying, Scott McCartney, WSJ, July 14, 2021

#### **Interviews:**

- Can You Pass A CEO Test? NY Times, Corner Office, March 15, 2009
- Where Are You When the Going Gets Tough? NY Times, Corner Office, April 10, 2010
- Getting Ahead by Having Answers Instead of Questions, NY Times, Corner Office, May 27, 2013



- Avinoam Nowogrodski of Clarizen, in the Rewards of Listening, NY Times, 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 results.
2. How would you compare/contrast the different turnaround approaches in EasyJet, Malaysia Air, and Continental?

### **Session # 6:**

### **Textbook:**

The Emergency Stage: Asset Redeployment; Financial Management; Operations Management; Marketing Management in an Emergency Stage Chapter 19, Pages 263-298

### **Readings:**

- Cash Remains King as Companies Close a Dismal Second Quarter, Thomas Gryta and Theo Francis, Wall Street Journal, June 21, 2020

### **Cases:**

- Where Leadership Starts by Robert A. Eckert
- Jamie Dimon and Bank One (A) by Paul M. Marshall and Todd Thedinga
- Investing in Growth Through Uncertainty, Ranjay Gulati, July-August 2023, HBR

### **Interviews:**

- In a Word, He Wants Simplicity, NY Times, Corner Office, May 24, 2009
- The Keeper of That Tapping Pen, NY Times, Corner Office, March 22, 2009
- Get a Diploma, but Then Get a Passport, NY Times, Corner Office, August 1, 2010
- Don Knauss of Clorox, Leading by Putting Your Followers First, NY Times, Corner Office, March 22, 2014
- Brad Smith of Intuit: Follow the Fastest Beat of Your Heart, NY Times, 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?
2. Compare/contrast the early actions Dimon took at Bank One with those taken at Mattel. Identify similarities and differences and assess whether these actions were matters of state of the turnaround, industry, leadership elements or other factors.

### **Session # 7:**

#### **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

Organizational Culture; Joint Venture/Strategic Alliances

#### **Readings:**

- Strategic Transformation as the Essential Last Step in the Process of Business Turnaround by John A. Pearce II and D. Keith Robbins
- Joint Ventures and Partnerships in a Downturn, James Bamford, Gerard Baynham and David Ernst, HBR, September-October 2020

#### **Cases:**

- Nissan Motor Co., Ltd., 2002 by Michael Yoshino and Masako Egawa
- Epilogue: Nissan, Renault Agree on Alliance Shake-Up, by River Davis and Nick Kostov, WSJ, January 30, 2023

#### **Interviews:**

- Remember to Thank Your Star Players, NY Times, Corner Office, July 11, 2010
- Leadership without a Secret Code, NY Times, Corner Office, November 1, 2009
- Strive for Results, Not for the Accolades, NY Times, 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. What are the various elements of a strategic transformation and why/when is it helpful in a turnaround?

### **Session # 8:**

The Stabilization Stage (continued)

Reflections and Institutionalizing Success

### **Readings:**

- Level 5 Leadership- The Triumph of Humility and Fierce Resolve by Jim Collins
- Turnaround Management Every Day by John O. Whitney
- Jim Collins: On Leadership in America, Dan Bigman, Chief Executive.net, November 7, 2017
- Netflix Looks Back on Its Near-Death Spiral by James B. Stewart, NY Times, April 26, 2013
- What's Luck Got to Do with It? By Jim Collins and Morten T. Hansen, NY Times, October 29, 2011
- Survival Strategist, General Motors and Merck Board Member Patricia Russo on Directorship In An Era of Disruption, Corporate Board Member, Fourth Quarter 2019
- Why Mandela Was Unique, NY Times, Thomas L. Friedman, December 10, 2013

### **Cases:**

- At Ford, Turnaround Is Job One, James B. Shein
- Ford and VW Agree to Share Costs of Self-Driving and Electric Cars, Neal E. Boudette and Jack Ewing, NY Times, July 12, 2019

### **Interviews:**

- Chamath Palihapitiya of Social Capital on the Paradox of Ego and Humility, NYTimes, Corner Office, Adam Bryant, October 20, 2017
- Distilling the Wisdom of CEO's by Adam Bryant, NY Times, April 16, 2011
- How to Be a CEO from a Decade Worth of Them, NY Times, Adam Bryant, October 27, 2017
- On A Busy Road, A Company Needs Guardrails, NY Times, Corner Office, October 13, 2012
- Fred Hassan of Bausch & Lomb, on Managers as Ambassadors, NY Times, Corner Office, July 27, 2013
- Dolf van den Brink of Heineken USA, on Transparency, NY Times, November 26, 2013
- Eileen Martinson of Sparta Systems on Clarity of Leadership, NY Times, Corner Office, January 9, 2014
- Charisma? To Her It's Overrated, NY Times, Corner Office, July 5, 2009



- Todd Rovak on Turning Tough Days Into Good Ones, NY Times, Corner Office, February 10, 2017

**Questions:**

1. 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?
2. From the last five 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 lessons from turnarounds can or should be applied to operating companies not in a turnaround?

**Session # 9:**

**Case:**

- Number One in Formula One, Anita Elberse, Harvard Business Review, November-December 2022
- The Leap to Leader, Adam Bryant, Harvard Business Review, July-August 2023

**Sessions #10, # 11, and # 12:**

Team Presentations and Course Recap

**Additional Readings (not required):**

Leadership, Doris Kearns Goodwin

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

Principles by Ray Dalio

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