



**Peter F. Drucker and Masatoshi Ito Graduate School of Management
Claremont Graduate University**

**Fall 2009
September 2 – December 2, 2009
Wednesday, 1:00-3:30 PM
B-14**

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MGT. 364: Managing Crisis: Contemporary Theory and Practice (4 units)

Crises are taking center stage for today's leaders. The current global financial meltdown compels the attention of presidents, prime ministers, and CEO's worldwide. The World Trade Center terrorist attack was not a matter of "if," only "when." Anybody watching closely would have predicted that a terrorist attack on the US was inevitable. The bad news about crises in our contemporary, interconnected world is that they are not going away. They will continue to plague organizations and nations around the globe. They will arrive in various guises, from terrorist attacks, to economic meltdowns, to nuclear or chemical accidents, to industrial sabotage, to political standoffs, to political and corporate kidnappings, even to pirate attacks at sea. The good news is that we can be prepared; we needn't feel helpless. Yet, preventing or surviving crises often requires thinking systematically and complexly about the unthinkable beforehand and committing scarce resources.

How can the corporate executive and the public policy maker plan for and manage these organizational, national, and international crises to prevent their becoming "corporate tragedies" and international catastrophes? What are the keys to productive decision-making under crisis conditions? How can a crisis be converted into an opportunity? Is that even possible?

This course will examine both contemporary theories and practice in preventing and managing crises. It will focus on the impact of crises on leaders in all sectors and their supporters. Organizational leaders and managers play a key role in crises, but they must be prepared to make cool decisions in the face of complex situations involving ambiguity and chaos. The course will consider how crises can make or break current leaders, offer flagging leaders the chance to find new direction, and create

opportunities for new leaders to emerge. It will explore how crises render followers particularly vulnerable to toxic leaders and how followers may avoid susceptibility.

Several conceptual frameworks for analyzing the character, impact, and consequences of crises will be presented and applied to a variety of classic and more contemporary private and public sector case studies, including the current global financial meltdown, the World Trade Center terrorist attack, the Enron debacle, the Bay of Pigs, the Cuban Missile Crisis, Hurricane Katrina, and the Space Shuttle Challenger disaster. Using a transdisciplinary approach, the seminar will explore the dynamics of decision-making in crises and the multifaceted consequences that flow from crises. The course will also cover additional topics critical to crisis management, such as negotiation and media communications.

Module Project

There will be a module project, done in groups. Participants will form their own 3-person groups.

The project will be judged in terms of 1) knowledge and perspectives that go beyond what was learned from class readings and discussions; 2) demonstration of capacity to integrate and apply the theoretical perspectives presented in the course readings 3) creativity; 4) significance of the project and potential long-term impact on project members and others; and 5) a level of effort appropriate for the size of the team.

Summaries of the projects will be presented by each group to the class on the last day or the last two days of the course, depending upon class size and number of projects. Please note: The presentation is *not* the project, only an opportunity to share your work with your class members. Please note also that if your team submits a film, book, painting, simulation, or board game or other non-traditional project, it must be accompanied by a *written document* explaining its purpose, methodology, etc.

For purposes of this class, PowerPoints may be used in the class presentation, but they are NOT considered a project or a project document. **On the last day of class, Dec. 1, 2009, the team will hand in two copies of the project.** One copy will be returned with a grade. Please tell the teaching assistant which team member will be responsible for picking up the graded project. In addition, **each individual member** of the team will turn in **one copy** of a *Peer Evaluation Form* (see below), including an evaluation of his/her own contributions to the project.

At the completion of the project, all group members will complete a confidential *Peer Evaluation Form* for all members of the project group, *including themselves*. The forms will be sent to you by e-mail by Kathy Holden, my faculty support person. If you do not receive the *Peer Evaluation Form* before the next to last class, please contact Kathy at X79061. Please enclose it in a sealed envelope and hand it in along with the team project.

Media Journal

Each participant will keep a weekly media journal in which s/he will clip articles from newspapers and magazines about an unfolding crisis. Articles should be highlighted with yellow marker, and each week at least one typewritten page of analysis should be included, using the highlighted articles as evidence for the analysis. Each weekly analysis should use concepts and frameworks from class readings. The final journal will be turned in, with a summary analysis (no more than five double-

spaced pages) of the nature, evolution, management, and resolution (if any), as well as the short- and potential long-term consequences of the crisis. **Each class participant will turn in two copies of the journal on the next to last class. One copy will be returned with a grade.**

Crisis Plan

Participants will have an opportunity in class to practice devising a crisis plan. Participants will develop a revised crisis plan and **turn in two copies of the plan on the next to last class.** One copy will be returned with a grade.

Reading and Class Participation

If class size permits, the course will be conducted as a seminar. To derive the most from the seminar format, all participants should expect to come to class prepared to engage in critical analysis and active discussion of the readings. That means doing the reading *before* the class sessions. Participants are advised to do the reading sufficiently ahead of time to allow ample opportunity to review the materials before each session.

Grades

The **course grade** will be based on five major components: 1) each individual's general class participation; 2) the class project; 3) the media journal; 4) the crisis plan; and 5) each participant's part in the oral project presentation. All members of a project team will receive the **same grade for the project.** Each student's **course grade** may differ, depending upon degree and quality of each individual's class participation, and the quality of the media journal, crisis plan, and oral project presentation.

Attendance

In accordance with Drucker/Ito Graduate School of Management Attendance Policy, after two unexcused absences, a participant will be dropped from the course. Classes will begin and end on time. Please help us to keep to that schedule.

Required Texts

1. Allison, Graham T. and Philip Zelikow. (1999). *Essence of Decision: Explaining the Cuban Missile Crisis*. Boston, MA: Little, Brown, & Co.
2. Blight, James G. and David A. Welch. (1993). *Cuba on the Brink*. (Lanham, MD: Rowman & Littlefield).
3. Boin, Arjen, Paul't Hart, Eric Stern, and Bengt Sundelius. (2005) *The Politics of Crisis Management: Public Leadership under Pressure.*,
4. McLean, Bethany and Peter Elkind. (2004). *The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron*. (Paperback) (New York: Portfolio).
5. Mitroff, Ian I., with Gus Anagnos. (2000). *Managing Crises Before They Happen*. New York: AMACOM.
6. Perrow, Charles. (1984). *Normal Accidents: Living with High-Risk Technologies*. New York: Basic Books.

7. Posner, Richard A. (2009). *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression*. (Cambridge, MA: Harvard University Press). **Pages to be announced.**
8. Course packet.

Course Packet	Located in Session No.
Ertel , Danny. (2004). "Getting Past Yes: Negotiating as if Implementation Mattered." <i>Harvard Business Review</i> , Vol. 82, No. 11, Nov. 2, pp. 60-68	9
Fink , Steven. (1986). <i>Crisis Management</i> . (New York: Authors Guild Backinprint.com edition.) Chpts. 1-3, pp. 5-28., Chpts. 13 & 14, pp. 92-120.	1, 7
Gehman , H. W., D.W. Deal, J. N. Hallock, et al. (2003). Columbia Accident Investigation Board (CAIB) Report), Vol. 1, August 2003, Part 1, pp. 19-26; Part Two, pp. 97-104; Chapter 8, pp. 195-204	11
Gilpin , Dawn R. & Priscilla J. Murphy. (2008). <i>Crisis Management in a Complex World</i> , Chapter 3, "Theories of Complexity," pp.23-34; Chapter 4, "Predictability and Control in Complex Systems," pp. 35-43.	2
Hill , Linda and Suzy Wetlaufer. (1998). "Leadership When There is No One to Ask: An Interview with Eni's Franco Bernabé," <i>Harvard Business Review</i> , July-August, pp. 81-94.	3
Janis , Irving. (1972). <i>Groupthink: Psychological Studies of Policy Decisions and Fiascoes</i> . Boston: Houghton Mifflin Company. Introduction, "Why So Many Miscalculations?" pp. 2-13; Ch. 1, "A Perfect Failure: The Bay of Pigs," pp. 14-47.	5
Kaufer , Laurel, Peterson, Annalisa, (2008). "Reflections on Community Dialogue: A Model for enhanced collaboration in Times of Conflict." (In toto). (to be posted on Sakai)	9
Klann , Gene. (2003). Chapter 4, "Leading During Crisis," <i>Crisis Leadership</i> . (Greensboro, NC: Center for Creative Leadership), pp. 41-58	3
Levitt , Arthur. (2002). "Who Audits the Auditors?" <i>The New York Times</i> , January 17, p. 29	8
Lipman-Blumen , Jean. (2008). "Dissent in Times of Crisis." In Stephen P. Banks (Ed.), <i>Dissent and the Failure of Leadership</i> , Northampton, MA: Edward Elgar), pp. 37-52.	3
Lipman-Blumen , Jean. (1973). "Role De-Differentiation as a System Response to Crisis." <i>Sociological Inquiry</i> , Vol. 43, No. 2, pp. 105-129.	1
Oppel , Jr., Richard A. (2002). "Auditor Received Warning on Enron Five Months Ago," <i>The New York Times</i> , January 17, p. 1.	8
Pauchant , Thierry and Ian Mitroff. (1992). <i>Transforming the Crisis-Prone Organization</i> . San Francisco: Jossey-Bass Publishers. Ch. 1, "Living in the Age of Mega-Crises: The Need for a Systemic View," pp. 8-33.	4
Sanger , David E., and Don Van Natta Jr. (2002). "White House Says Economics Adviser Saw Little Risk on Enron." <i>The New York Times</i> , January 17, p. 1. Course Packet	8
Schwartz , Howard S. (1987). "On the Psychodynamics of Organizational Disaster: The Case of the Space Shuttle Challenger," <i>The Columbia Journal of World Business</i> , Vol. XXII, No. 1, Spring, pp.59-67.	11
Seid , Michael and Kay Marie Ainsley. (2001). "Managing Your Reputation. Follow These Tips to Save Your Brand During a Crisis," <i>Entrepreneur.com</i> , October 22.	7
Sonnenfeld , Sandi. (1994). "Media Policy – What Media Policy?" <i>Harvard Business Review</i> , July-	7

August, pp.119-142.	
The New York Times. (2001). "Many Say U.S. Planned for Terror but Failed to Take Action," <i>The New York Times</i> , December 30.	10
Vaughan, Diane. (1996). <i>The Challenger Launch Decision: Risky Technology, Culture, and Deviance at NASA</i> . Preface, pp. xi-xv.	11

Class Sessions

Date: Wednesday, September 2, 2009

Session 1: Conceptual Frameworks

Readings:

1. Lipman-Blumen, Jean. (1973). "Role De-Differentiation as a System Response to Crisis." *Sociological Inquiry*, Vol. 43, No. 2, pp. 105-129.
2. Mitroff, Ian I. with Gus Anagnos. (2000). *Managing Crises Before They Happen*. New York: AMACOM. Ch. 3, "A Best Practice Model: A General Framework for Crisis Management," pp. 27-51.
3. Fink, Steven. (1986). *Crisis Management*. (New York: Authors Guild Backinprint.com edition.) Chpts. 1-3, pp. 5-28.

Date: Wednesday, September 9, 2009

Session 2: A Systemic Perspective: Can Complexity Theory Help?

Readings:

1. Pauchant, Thierry and Ian Mitroff. (1992). *Transforming the Crisis-Prone Organization*. San Francisco: Jossey-Bass Publishers. Ch. 1, "Living in the Age of Mega-Crises: The Need for a Systemic View," pp. 8-33.
2. Gilpin, Dawn R. & Priscilla J. Murphy. (2008). *Crisis Management in a Complex World*, Chapter 3, "Theories of Complexity," pp.23-34; Chapter 4, "Predictability and Control in Complex Systems," pp. 35-43.

Date: Wednesday, September 16, 2009

Session 3: Leadership in Times of Crisis

Readings:

1. Lipman-Blumen, Jean. (2008). "Dissent in Times of Crisis: The Creation of God." In Stephen P. Banks (Ed.), *Dissent and the Failure of Leadership*. (Northampton, MA: Edward Elgar), pp. 37-52
2. Klann, Gene. (2003). Chapter 4, "Leading During Crisis," *Crisis Leadership*. (Greensboro, NC: Center for Creative Leadership), pp. 41-58.

3. Hill, Linda and Suzy Wetlaufer. (1998). "Leadership When There is No One to Ask: An Interview with Eni's Franco Bernabé," *Harvard Business Review*, July-August, pp. 81-94.

Date: Wednesday, September 23, 2009

Session 4: Public Leadership and Crisis Management

Readings:

1. Boin, Arjen, Paul't Hart, Eric Stern, and Bengt Sundelius. (2005) *The Politics of Crisis Management: Public Leadership under Pressure. (In toto .EXCEPT Ch. 4. "Meaning Making: Crisis Management as Political Communication, pp. 69-90.)*

Date: Wednesday, September 30, 2009

Session 5: How Can Such Smart People Get It All Wrong? Bay of Pigs

Readings:

1. Janis, Irving. (1972). *Groupthink: Psychological Studies of Policy Decisions and Fiascoes*. Boston: Houghton Mifflin Company. Ch 1, "Introduction: Why So Many Miscalculations?" pp. 2-13; Ch. 2, "A Perfect Failure: The Bay of Pigs," pp. 14-47.
2. Allison, Graham T. and Phillip Zelikow. (1999). *Essence of Decision: Explaining the Cuban Missile Crisis*. Boston, MA: Little, Brown, & Co. (*In toto*)
(READ AHEAD FOR NEXT WEEK.)

Date: Wednesday, October 7, 2009

Session 6: Crisis Forecasting, Intervention, and Crisis Plans; The Cuban Missile Crisis: Did Those Smart People Get It Right This Time, or Were They Just Lucky?

Readings:

1. **Blight**, James G. and David A. Welch. (1993). *Cuba on the Brink*. (Lanham, MD: Rowman & Littlefield) Appendix 1: Chronology, pp.487-501; Forward, pp. ix-xiv; Preface, pp. xvii-xix; Dramatis Personae, pp. xxi-xxxi; Introduction: Toward the Brink, pp. 3-14; Chpt.1, Cuba on the Brink: The October Crisis, pp. 15-24; Chapter 2, Uses of the Brink: Cuban, American, and Russian Motives at the Havana Conference pp. 25-52; Chpt. 3, Cuba on the Brink, Then and Now: The Havana conference on the Cuban Missile Crisis. pp. 53-317; Afterword, pp. 401-420.

Date: Wednesday, October 14, 2009

Session 7: Dealing with the Media

Readings:

1. Sonnenfeld, Sandi. (1994). "Media Policy – What Media Policy?" *Harvard Business Review*, July-August, pp.119-142.

2. Seid, Michael, and Kay Marie Ainsley. (2001). "Managing Your Reputation. Follow These Tips to Save Your Brand During a Crisis," *Entrepreneur.com*, October 22.
3. Boin, Arjen, Paul't Hart, Eric Stern, and Bengt Sundelius. (2005) *The Politics of Crisis Management: Public Leadership under Pressure.*, Ch. 4. Meaning making: Crisis Management as Political Communication, pp. 69-90.
4. Fink, Steven. (1986). *Crisis Management*. (New York: Authors Guild Backinprint.com edition.) Chpts. 13 & 14. pp. 92-120.

Date: Wednesday, October 21, 2009

Session 8: The Enron Case: The Crisis from Within

Readings:

1. McLean and Peter Elkind. (2004). *The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron*. (Paperback) (New York: Portfolio) (Skim in toto).
3. Levitt, Arthur. (2002). "Who Audits the Auditors?" *The New York Times*, January 17, p. 29.
4. Sanger, David E., and Don Van Natta Jr. (2002). "White House Says Economics Adviser Saw Little Risk on Enron." *The New York Times*, January 17, p. 1.
5. Oppel, Jr., Richard A. (2002). "Auditor Received Warning on Enron Five Months Ago," *The New York Times*, January 17, p. 1.

Date: Wednesday, October 28, 2009

Session 9: Negotiation and Mediation in Crisis:

Guest Lecturer: Laurel Kaufer, J.D., Director of Mississippi Mediation Project

Readings:

1. Kaufer, Laurel, Peterson Annalisa (2008). "Reflections on Community Dialogue: A Model for Enhanced Collaboration in Times of Conflict." (In toto). (to be posted on Sakai)
2. Ertel, Danny. (2004). "Getting Past Yes: Negotiating as if Implementation Mattered." *Harvard Business Review*, Vol. 82, No. 11, Nov. 2, pp. 60-68.

Date: Wednesday, November 4, 2009

Session 10: World Trade Center Bombing, 2001

Readings:

1. The New York Times. (2001). "Many Say U.S. Planned for Terror but Failed to Take Action," *The New York Times*, December 30.
2. *The Economist*. (2001). "Special Report: War on America. The Day the World Changed," *The Economist*, September 15-21, pp. 13-19.

3. ANOTHER READING TO BE ANNOUNCED.

Date: Wednesday, November 11, 2009

Session 11: Technological Accidents: Case #1: The Challenger Tragedy

Guest Speaker: Dr. Phillip Barnett

Readings:

1. Perrow, Charles. (1984). *Normal Accidents: Living with High-Risk Technologies*. Introduction and Chapter 1, "Normal Accident at Three Mile Island," p. 3-31; Chapter 3, "Complexity, Coupling, and Catastrophe." pp. 62-100.
2. Vaughan, Diane. (1996). *The Challenger Launch Decision: Risky Technology, Culture, and Deviance at NASA*. Preface, pp. xi-xv.
3. Gehman, H. W., D.W. Deal, J. N. Hallock, et al. (2003). Columbia Accident Investigation Board (CAIB) Report), Vol. 1, August 2003, Part 1, pp. 19-26; Part Two, pp. 97-104; Chapter 8, pp. 195-204.
4. Schwartz, Howard S. (1987). "On the Psychodynamics of Organizational Disaster: The Case of the Space Shuttle Challenger," *The Columbia Journal of World Business*, Vol. XXII, No. 1, Spring, pp. 59-67.

Date: Wednesday, November 18, 2009

Session 12: The 2008 Global Financial Meltdown

Readings:

1. Posner, Richard A. (2009). *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression*. . (Cambridge, MA: Harvard University Press). **Pages to be announced.**

Date: Wednesday, November 25, 2009

Session 13: The 2008 Global Financial Meltdown

DUE TODAY: 2 copies each: Media Journal; Crisis Plan

Readings:

1. Posner, Richard A. (2009). *A Failure of Capitalism: The Crisis of '08 and the Descent into Depression*. (Cambridge, MA: Harvard University Press). **Pages to be announced.**

Date: Wednesday, December 2, 2009
Session 14: Project Presentations in Class

DUE TODAY: 2 copies of Group Project and your *Peer Evaluation Form*

Readings: None

Thank you.