

Looking for a new boss? Don't do what Sunbeam did with 'Chainsaw Al'



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The mere mention of "Chainsaw" Al Dunlap sends shudders among corporate directors.

Dunlap, as you might recall, shook up Sunbeam in the late 1990s when the company was based first in Fort Lauderdale and then Delray Beach. By 1998, he was fired and Sunbeam, facing shareholder lawsuits and an accounting investigation, filed for bankruptcy reorganization in 2001.

With the benefit of a decade's hindsight, Charles Thayer -- one of the board members who hired Dunlap -- recently talked about lessons learned at a Florida chapter meeting of the National Association of Corporate Directors.

Thayer, now chairman of Chartwell Capital, was called on twice to lead the appliance company before Dunlap became CEO. Thayer's Sunbeam experience is documented with a dictionary-size book of newspaper and magazine clippings and an "absolutely worthless" stock certificate on his office wall.

After emerging from bankruptcy organization in 2004, Sunbeam was acquired by Jarden Corp., maker of Bell jars and Diamond kitchen matches.

But in 1994, Sunbeam needed "dramatic action," which led to the hiring of Dunlap, a turnaround specialist who earned his "Chainsaw" nickname from deep cuts at troubled companies.

Thayer, who was on Sunbeam's board from 1990 to 1997, says there are lessons about CEO succession that can be learned from Sunbeam.

Though he backed Dunlap to become CEO, Thayer says they had different philosophies about running the business -- one reason Thayer left Sunbeam as Dunlap came on board. Dunlap's mentality was to fix it and sell it, not to rebuild the company.

The flaw, Thayer said, is "you've only got one exit strategy." With any business, he added, "If you don't plan on owning it, you probably will."

Thayer said Sunbeam's succession problem began with the departure of CEO Paul Kazarian, who left in 1993. In Thayer's view as a director, there was no executive capable of moving up to the top job. Thayer was named interim CEO and had the job for a year before successor Roger Schipke was chosen.

But when the board brought in the CEO from outside, jealous executives tried to undermine him. Within a couple of years, Thayer was asked to step in again to help, this time in a vice chairman role.

"The problem with CEO succession is that boards are too timid," Thayer said.

Too often they pick what seems to be the "safe" choice. "Let's give it to good ol' Joe," he said. "I think that's what happened at Sunbeam."

A board also should be hearing from more than the CEO about a company's operations, he said. Senior managers should report to the board at every meeting, Thayer said.

That should prompt real questions and bring internal problems to light. Usually, "everyone just kind of smiles in the boardroom," said Thayer, who has served on numerous bank and company boards.

Regular executive sessions, which involve only outside board members, should include open discussion about the CEO and other top managers.

After Schipke resigned, Sunbeam was back to shopping for a CEO. Dunlap, fresh from his "turnaround" at Scott Paper, was hired to lead Sunbeam in 1996.

"We managed to get the most notorious turnaround artist in the country," Thayer said.

Dunlap, who detailed his strategy in his book *Mean Business*, had become a Wall Street sensation. At Scott Paper, he pumped the stock by chopping thousands of jobs and selling off assets.

Scott Paper moved to Boca Raton in 1995 and Dunlap tried to collect incentives for bringing jobs to Palm Beach County. But by year-end, Dunlap sold the company to Kimberly-Clark.

He tried the same formula at Sunbeam.

But Dunlap was ousted in 1998 after questions rose about accounting. He agreed in 2002 to pay \$500,000 to settle Securities and Exchange Commission charges that he cheated investors by inflating sales figures at Sunbeam. Dunlap also agreed never again to serve as an officer or director of a public company.

The biggest lesson?

Be careful about going for the quick fix. As Sunbeam shows, the price for a community, employees and even board members can be costly.

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