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Part I: How Al Dunlap's failure in leadership destroyed Sunbeam Corp

Part II: Al Dunlap and the making of a Corporate Psychopath

Adrian Farrell

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The morning after Al Dunlap was announced as the new CEO of Sunbeam Corporation the share price rose 50%. Such was the reputation of 'Chainsaw Al' as a master in building shareholder wealth, it meant that investors flocked to be part of what was meant to be the resurgence of Sunbeam. These same investors who expected a long-term growth prospect would come to regret their decision. While it first appeared Dunlap's "slash and burn" approach was working, it was in fact a disaster in the making. Within two years he was out the door as Sunbeam was investigated for accounting fraud and heading into bankruptcy. Why had so many people not realised that Albert Dunlap had all the signs of being a corporate psychopath and only intent on making money for himself?

*This is **Part I** of a two-part series examining the damage corporate psychopaths cause to organisations and their stakeholders. See **Part II**: Al Dunlap and the making of a Corporate Psychopath.*

> If you want a friend, get a dog. I'm not taking any chances; I've got two dogs.
> —— Albert Dunlap

The Sunbeam Story

The origins of Sunbeam Corporation begin in 1897 when two entrepreneurs, John Stewart and Thomas Clark, incorporated the Chicago Flexible Shaft Company. Their first products were sheep shearing tools for the agriculture industry but in 1910 the first Sunbeam branded household appliance, the Princess Electric Iron, was introduced. This was followed by many products such as shavers, toasters, electric blankets, with perhaps the most famous being the Sunbeam Mixmaster introduced in 1930. This was the first mixer to have removable, interlocking beaters.

During WWII much of the production facilities were dedicated to the war effort but in 1946 the company name changed to Sunbeam Corporation and over the next few decades Sunbeam became the leading manufacturer of small electric household appliances. Because the cost of labour was lower in the southern parts of the US, factories were opened in such far-flung states as Mississippi and Tennessee:

> By the 1970s, Sunbeam Corp. was still America's biggest producer of small appliances, enjoying over $1.3 billion[1] in annual revenue, but its commitment to Chicago was getting less clear. The company now had numerous offices and more than 75 factories (44 in the USA, 33 internationally), employing roughly 30,000 people in total; just 3,000 of whom were still based in Chicago.[2]

Things would not go so smoothly for long. In 1981 the Pittsburgh-based conglomerate, Allegheny International, bought Sunbeam and it became the Sunbeam Appliance Division. By the mid-1980s, Allegheny International's divisions suffered a steep decline in sales revenues and, not helped by poor management and the 1987 stock market crash, Allegheny was forced into bankruptcy in 1988.

In 1989 the investment group, Japonica Partners, purchased the remains of Allegheny and named it the Sunbeam-Oster Company, Inc. As "corporate raiders" their main interest was for a listing on the New York Stock Exchange and then dress up the company for sale and by doing so make a healthy profit.

Paul Kazarian took on the CEO role and went about consolidating eleven divisions down to four so that the business became profitable again and was able to go public. The Initial Public Offering (IPO) of Sunbeam-Oster stock opened on the New York Stock Exchange at $12.50 a share in August 1992.

Kazarian went on the achieve to record breaking profit levels but his over-aggressive management style meant he was replaced in 1993 by Roger Schipke, previously with GE's small appliance division. Now renamed as Sunbeam Corporation, under Schipke's leadership the stock price actually declined over the next few years as he attempted to transform the company. He resigned in May 1996.

Dr Barbara Kellerman, research director of the Center for Public Leadership at Harvard University's Kennedy School of Government, gave this assessment of the state of Sunbeam Corp. at that time:

> Many had now come to believe that Sunbeam was a dying brand. It had failed to keep up with competitors such as Black & Decker, attract new customers, restore its physical plant, and update its information systems. In addition, costs had spiraled out of control and the company was suffering from political conflict. Finally, its management was weak.[3]

The lead Japonica Partners investor, Michael Price, was now looking out for a new CEO and he came to believe there was only one person suitable for the turnaround task – one Albert J. Dunlap.

Al Dunlap at Sunbeam

When Al Dunlap was offered the job of CEO and Chairman of Sunbeam Corp. in July 1996 he made sure he got himself an extremely generous deal. There was no negotiation. He got whatever he demanded, both money – mostly share options – and control.

He had come to Sunbeam with a stellar reputation as a turnaround guru. He was famous for having transformed loss-making Scott Paper, the oldest and largest US manufacturer of toilet paper, and sold it off to Kimberley Clark. In doing so Dunlap and investors had made a mint of money in the process.

Sunbeam employees were apprehensive when then heard of the appointment because knew of Dunlap's reputation as a mean and tough boss. But the senior executives were stunned by Dunlap's day-long diatribe on his first day on the job on July 22, 1996. James Wilson, head of human resources recalls the occasion:

> I don't think there had ever been a meeting in my life where I stared at the top of my shoes for that long. He screamed at us all morning. It had to last three to three and

> one-half hours. He went after each one of us individually. He was so intimidating that when he finished, we didn't know which end was up.[4]

Dunlap's approach to the restructure of Sunbeam would be a repeat of the Scott Paper playbook, only faster, nastier and more extreme. The turnaround of Scott had taken twenty months. For Sunbeam, he said it would take six to twelve months.

His first move was to replace several key executives with trusted people from Scott Paper to build his "dream team" of senior executives. These were people whom he had worked with previously and who were loyal and could be trusted to do his bidding. It was the same with the board of directors. Within a short space of time he was able to bring in his own friends as directors.

Business Week writer, John Byrne, had closely studied the way Dunlap surrounded himself with unquestioning followers:

> The most important qualifications for a Dunlap-led business journey, however, were trust and loyalty. Whether hiring people for the company's key jobs or recruiting directors to fill board seats, Dunlap first sought friends, acquaintances, and former business associates. From Dunlap's perspective, they were far less likely to resist his often outrageous demands. They already knew what it would take to survive him and the job.[5]

He couldn't achieve his desired outcomes, especially his unrealistic goals, without others to do his bidding. Here he was skilled in using a number of manipulation techniques to get their cooperation and not have them leave.

One way Dunlap achieved a loyal following was by giving executives lavish stock option packages. The big payoff would come when the company was sold. When Kimberley-Clarke bought Scott Paper there were some sixty individuals who became millionaires overnight.

The downside was that the carrot of the huge rewards meant that it was somewhat easy for people to lose their integrity and do things they normally wouldn't do. There was always the threat of dismissal and loss of stock-options if they didn't perform to Dunlap's expectations. It was this mix of fear and greed that kept them in the game.

Besides the callous way he treated people, one of the elements of Dunlap's character could be described as glibness, which is defined as "the quality of being confident, but too simple and lacking in careful thought."[6]

He had a very simplistic view of business such that the wealth of shareholders was the only thing that mattered. He wasn't alone in this thinking. This is what short-term Wall Street investors and corporate raiders wanted as well, which is why he was in so much demand.

He had no time for the elements of Corporate Social Responsibility (CSR). In his eyes it was a waste of time to give any attention to stakeholders. For example, one of the first things he did when he arrived at Sunbeam was to cut all gifts to charities even cancelling existing commitments. He also forbad managers from being involved in community activities as he believed it would impact their work obligations.

He then set about planning a massive "chainsaw" demolition of half the Sunbeam workforce of 12,000 people together with closing half of the 26 factories. This was to start in November of 1996 to be followed by large reductions in the number of warehouses, field offices and product lines.

For the employees affected by the closures, the decision was devastating for both the individuals and the communities. When Cherrie Mae Gammage heard the news of the closure of the Bay Springs, Mississippi plant she cried. She had been working in the factory thirty-one years, had bought a home and raised five children:

> It was a wonderful place to work. I had good supervisors and good coworkers. To me, that plant was like one big family. I guess I spent more time there than at home. The

> plant had been good to me . . . It affected a lot of people, especially younger people who had just bought homes and cars and were trying to send their children to school.[7]

Dunlop had no empathy or remorse for letting all these workers be let go. “I come from a working-class family. If I have to get rid of 35 percent of the people to save 65 percent, that’s what I am going to do.”[8]

He couldn’t even understand how someone could stay working for the one company for thirty years. “If you’re just going to stay someplace, you become a caretaker, a custodian. Life should be a roller coaster, not a merry-go-round.”[9]

Dunlap treated the senior management just as badly as he did everyone else. According to Richard Boynton, president of the household products division, he was condescending, belligerent and disrespectful. But he had purchased the execs’ loyalty, and they set about executing his plan to fire half the 12,000 staff and eliminate 87 per cent of the company’s products.[10]

In fact Dunlap was proud of his reputation as a “hatchet man” and promoted himself as “Chainsaw” Al and “Rambo in Pinstripes”. He rarely fired an executive himself as he mostly left it to Senior Vice President, Don Uzzi to do the dirty work. “Uzzi not only had to fire them; he also had to indulge in what he considered a sick routine with Dunlap, who insisted on hearing how each reacted to the news.”[11]

Heading for failure

Dunlap’s turnaround plan seemed to be working – at least in the eyes of the investors. In addition to closing factories and distribution centres, he cut R&D staff numbers, outsourced IT and postponed maintenance work. His cost-cutting had an eye for the short-term only. He had no concern for the long-term outlook.

The reaction from Wall Street was surprisingly subdued and the stock price barely moved. Dunlap had been quietly exploring the possibility of selling the company but it was going nowhere. It was only after he publicly announced the plan for a sale of Sunbeam coupled with an improvement in the financials that the stock price started to increase markedly.

During 1997 and the first quarter of 1998 the stock price was steadily rising and went on to reach a high of $53 in March 1998.

Where his simplistic view finally came undone was when he realised no one wanted to buy Sunbeam at such a high price. As Byrne explained, he “failed to comprehend the dynamics of a slow growth, mature industry in which consumers bought one blender or toaster every seven years.”[12] Instead, investors were falling over themselves getting into high-tech startups – the dot-com bubble of the late 1990’s.

That was the point where Dunlap changed his plans and attempted to make Sunbeam into a growth company by buying three companies, adding 1.5 billion dollars of debt, but still promising a profit.

While most of the Wall Street analysts were recommending Sunbeam stock as a ‘buy’, there were others who were questioning the veracity of the financials.

The first admission to the market by Sunbeam that it would not meet the expected profit results occurred early in April 1998. The stock price tumbled. On April 16, Sunbeam’s directors, chaired by Dunlap, met via telephone. The meeting did not go well:

> For almost all the directors, it was a deeply disturbing meeting. Dunlap, who had generally been on his best behavior before his directors, was angry and profane. He blamed everyone but himself for the company’s problems, for the fall of the stock, and for the departure of key executives.[13]

A few weeks later the board would hear more disturbing news confirming the extent of the first quarter loss.

The business press by this stage was turning against the world's most famous "turnaround guru". For the first time Dunlap's financial tricks were exposed in a *Forbes* article published on May 4.[14]

But it was another negative report by *Barrons* business newspaper[15] on June 8 that caused several worried Sunbeam directors to ask themselves, "Is this story true?" Dunlap told the board members there was no truth in the *Barrons* report. But some weren't satisfied and, after learning more about the growing size of the fourth quarter loss, they voted at a special board meeting on June 15 to end Dunlap's reign as CEO and Chairman. His employment contract would mean a severance payment of $27 million.[16]

The board then spent the rest of the day learning that not only was there a leadership problem, but Sunbeam was suddenly facing bankruptcy. Within days an experienced CEO, Jerry Levin, was appointed at the same time as the Securities and Exchange Commission (SEC) started investigating Sunbeam's financial reporting.

Unbeknown to the board, Dunlap had perpetrated a massive deception. He had misled the board and investors as had Dunlap's friend Phillip Harlow, the Anderson Consulting auditing partner who signed off the financial accounts.

The Fallout

Sunbeam entered Chapter 11 bankruptcy in 2000.

The 2001 report of the investigation by the Securities and Exchange Commission (SEC) spelt out the extent of the deception:

- The financial reports and press releases from 1966-98 were "materially false and misleading."
- The illegal conduct began late in 1966 with inappropriate accounting "cookie-jar" reserves which were then used to falsify the reported increased income for the 1997 year. In addition, accounting fraud was used to boost income that year by $60 million dollars.
- There was a failure to disclose that the 1997 revenue growth was partly achieved at the expense of revenue for the following year. This was achieved by giving inducements to customers to bring forward their purchases, a practice known as "channel stuffing."[17]

It was the end of the corporate road for Al Dunlap. He was fined $500,000 and received a life-time ban from serving as a company officer.

That wasn't the last one would hear from Al Dunlap. He would then go on to the international speaker circuit with leadership as the subject. Financial author Christopher Byron had this to say about Dunlap's leadership credentials:

> Dunlap had never learned the subtleties and finesse of leadership since his only prior exposure to the challenges of leadership had involved the command-and-control structures of the military.[18]

Still a wealthy man, Al Dunlap died at his home in Florida on January 25, 2019 aged 81.

Andersen Consulting paid an out-of-court settlement of $110m to Sunbeam shareholders while partner Phillip Harlow was banned from acting ever again as an auditor.

But how did so many people allow Dunlap to wreck Sunbeam in this way? What had they missed? Is this the case of a corporate psychopath at work?

Continued as Part II: [Al Dunlap and the Making of a Corporate Psychopath](#).

Notes

1. All dollar figures are in US dollars
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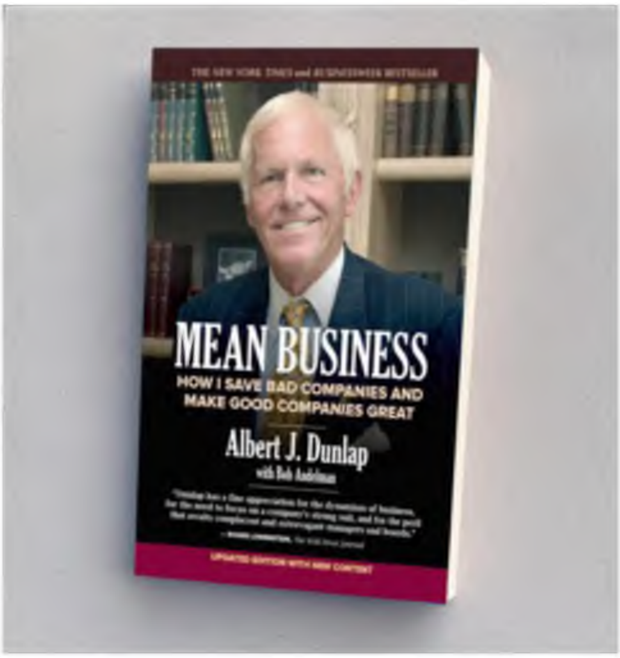
Part II: Al Dunlap and the making of a Corporate Psychopath



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Was Al Dunlap, the CEO who sent Sunbeam Corp into bankruptcy, a corporate psychopath? Corporate psychopaths, or workplace psychopaths, are those people in management positions with an "uncaring, callous and an unemotional attitude towards others" while engaging in "pathological lying, extreme manipulation and actions often associated with criminality."[1]

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> People generally cannot believe themselves so easily manipulated and controllable. This is precisely why they are so easy to manipulate and control.
> —— Bryan Key Wilson, PhD, author of *The Age of Manipulation.*

Psychopaths can exhibit dysfunctional behaviours on a spectrum ranging from very severe to mild. Very severe cases are those individuals who cannot relate properly with others and are often incarcerated or institutionalised because of their behaviour. Mild cases in management ranks in an organisation are those "incompetent managers whose poor management skills create disarray, demoralisation and disorganisation, the result of which is that the workplaces they are trying to manage become toxic."[2]

It is suggested that 1 percent of the population has psychopathy — someone without empathy.[3] Therefore it's not really surprising that you will find such people employed in a wide range of occupations. What's new is that we now have a term a term for a psychopath in an organisation – the corporate psychopath — and a growing number of studies of their potential for destructive behaviour.

Note that because it is a mental condition, it's not illegal to be a psychopath – they can't help it.[4] It's only when a psychopath's behaviours are unlawful that the law intervenes.

Psychologists Paul Babiak and Robert Hare suggest you can't assume your boss is a psychopath just because some behaviours fit that of a psychopath. They can only be properly identified by using a standardised diagnostic instrument whereby expert observers can assess the presence of psychopathic personality disorder.[5]

However, observations of psychopathic behaviours are a clear warning sign of the potential presence of a psychopath or that of an incompetent manager. Both can do damage to an organisation and the people in it.

Warning signs of the presence of a workplace psychopath

The most obvious sign of the presence of a workplace psychopath is where talented people leave an organisation after the arrival of a new manager. It can take some time before exits take place but there are earlier warning signs available if more senior managers care to look.

Professor Manfred de Vries, a psychoanalyst, suggests a red flag would be one where the following situation exists in an organisation:

> A glaring discrepancy between how direct reports and junior employees perceive an executive and how that executive's peers or boss perceive him or her. Lower-level employees are often on the receiving end of a boss's psychopathic behavior and usually spot a problem much sooner than senior management.[6]

Lawsuits, especially those involving bullying behaviour, should also require a close look at the particular manager involved.[7]

Day-to-day behaviours of a workplace psychopath

One of the earliest signs of the entry of a psychopath in where a new manager makes wholesale changes to the way things have traditionally been done — without any logical basis for doing so. This new manager comes across as knowing 'everything' and announces there will be better ways of doing things.

Further changes will be made without any consultation. Innovations the previous manager may have introduced will be discarded. Talk of "we used to do this" will be outlawed. This is a very unsettling and confusing time for subordinates and other stakeholders.

But there's more to follow. Suddenly the micromanager appears. The manager will need to approve actions and require constant reporting by subordinates. This manager wants to be in full control, to make every decision but to shift the blame to others if things go wrong. And things will go wrong because many of the "thought-bubble" changes and developments won't be delivered anyway — it's all smoke and mirrors. Or, as some say, it's all about theatre.[8]

Meanwhile the workplace psychopath is busy working on developing their network of information providers and supporters while also identifying any potential impediments to their goal of power and prestige.

One of the methods used by psychopaths is use "confidentiality" liberally so as to limit subordinates and others sharing information, as well as using one-on-one conversations to divide and conquer as Babiak and Hare explain:

> Specifically, their game plans involved manipulating communication networks to enhance their own reputation, to disparage others, and to create conflicts and rivalries among organization members, thereby keeping them from sharing information that might uncover the deceit.[9]

Initially subordinates and others in the organisation will be impressed by the charm and enjoy the friendship of this seemingly bright, confident and successful individual. They are in fact the unwitting pawns to be used by the psychopath and when no longer useful will be discarded.

Expect to see overstated claims of successes and lies. While a normal person telling lies would exhibit some stress and become emotionally involved — such as raising their voice or touching their ear lobe — the psychopath shows no emotion. They will even tell more elaborate lies and leave us completely confused.[10]

Even though they lack empathy — after all they have no interest in the welfare of the subordinates they may bully, berate and force out of the organisation — psychopaths are still able to fake the impression of empathic behaviour when they need to, especially for their information providers and supporters — the pawns.[11]

The impact of a workplace psychopath

Benedict Sheehy, Professor of Law at Canberra Law School, and colleagues describe the impact of psychopath in this way:

> Psychopathy is a major problem for the performance of organisations, affecting productivity, long-term stability and especially the health and wellbeing of employees being supervised by managers with psychopathic traits.[12]

It's only in the last 20 years or so that academic researchers have begun to study in earnest the effects of psychopaths on organisations and the findings are disturbing.[13]

A workplace psychopath has an impact on both the organisation, employees and stakeholders.

A drop in productivity is very common when a workplace psychopath is present. As one employee explained to a researcher, "We all started spending a lot of time talking about what she was trying to achieve, rather than doing our jobs."[14]

Professor Clive Boddy, an expert in the field of corporate psychopathy, says there is a high correlation between bullying and psychopathy, adding that psychopaths are "ruthless towards other people and totally devoted to self-orientation and self-promotion."[15]

Families and friends of affected employees will notice a change but may not be told what's going on. This can have an adverse effect on personal relationships even to the point of breakdown.

Another aspect senior management may come to realise too late is that corporate psychopaths have been found to engage in financial fraud and CV fraud.[16]

Protection for the workplace psychopath

Workplace psychopaths are easily able to enter into an organisation and progress through management ranks when they have been able to charm key senior managers and other influencers into becoming patrons. This often short-circuits the normal recruitment process which means a thorough assessment of the background of the employee is not carried out.

Babiak and Hare describe the role of the patron in protecting these psychopaths:

> Patrons are influential executives who take talented employees "under their wing" and help them progress through the organization. Once this patronage is established, it is difficult to overcome. With a patron on their side, psychopaths could do almost no wrong. Powerful organizational patrons (unwittingly) protect and defend psychopaths from the criticism of others. These individuals would eventually provide a strong voice in support of the psychopaths' career advancement vis-a-vis promotions and inclusion on corporate succession plans.[17]

Not everyone in the organization is taken in by the psychopath — they see through the lies and over-blown self-promotion. But because of this patronage, mentions about violations of company policy, and raising issues about "questionable" interpersonal behaviour, such as bullying, would be effectively buried.

The presence of a workplace psychopath in an organisation will have consequences that are visible and real. While sometimes a hard-nosed manager may seem to be needed to lead an organisation out of trouble in the short term, a workplace or corporate psychopath at CEO level is more likely to cause significant problems and even destroy an organisation in the long-term.

It's not uncommon to experience bosses who are described as "tough". Think of Kerry Packer or Rupert Murdoch. But are they necessarily corporate psychopaths just because they might be cold, hard-driving, and ruthless? We don't know for sure without a proper assessment by a psychologist trained in the use of such diagnostic instruments.

Measuring Psychopathy

Canadian psychologist, Dr Robert Hare, is recognised as an expert in analysing psychopaths. From his experience over decades, Hare suggests that 1 percent of the population are psychopaths, while a greater percent of CEOs would be classified as corporate psychopaths.[18]

Hare's Psychopath Check List (PCL-R) has become the international standard for the clinical assessment of psychopathy. Originally developed for assessing individuals exhibiting criminal behaviour, there is also a simpler Screening Version (PCL:SV) used for cases of suspected corporate psychopaths.[19]

Table 1
Items in the Hare Psychopathy Checklist Screening Version (PCL:SV)

Part 1 Items	*Part 2 Items*
• Superficial	• Impulsive
• Deceitful	• Poor behavior controls
• Grandiose	• Lacks goals
• Lacks remorse	• Irresponsible
• Lacks empathy	• Adolescent antisocial
• Avoids responsibility	• Adult antisocial

According to Hare, the PCL:SV comprises 12 items, each reflecting a different symptom or characteristic of psychopathy (see Table 1).

Items are rated on a 3-point scale (0 = item doesn't apply, 1 = item applies somewhat, 2 = item definitely applies). The items are summed to yield total scores, ranging from 0 to 24, that reflect the degree to which an individual resembles the prototypical psychopath. A cutoff score of 19 or greater is used to diagnose psychopathy.

Was Al Dunlap a Corporate Psychopath?

One of the first times it was suggested Al Dunlap could be a psychopath was in a 2005 *Fast Company* article, "Is Your Boss a Psychopath?"[20]

Subsequently, journalist Jon Ronson interviewed Dunlap at his home in Florida long after he was sacked from Sunbeam. The first thing Ronson noticed was his grandiose manner and self-belief:

> His inflated ego and exaggerated regard for his own abilities are remarkable, given the facts of his life. "If you don't believe in yourself, nobody else will. You've got to believe in you."[21]

Ronson took Dunlap through Hare's check list of 20 traits of a psychopath (PCL-R) with a surprising result:

> He admitted to many, many items on the checklist, but redefined them as leadership positives. So 'manipulation' was another way of saying 'leadership.' 'Grandiose sense of self worth' — which would have been a hard one for him to deny because he was standing underneath a giant oil painting of himself — was, you know, 'You've got to like yourself if you're going to be a success.'[22]

Even Dunlap himself believed in his over-inflated sense of self-importance. As he said in his book, *Mean Business*, "I'm a superstar in my field, much like Michael Jordan in basketball and Bruce Springsteen in rock 'n' roll. My pay should be compared to superstars in other fields, not to the average CEO."[23]

And when we consider Dunlap's life and his actions as described by John Byrne and others in the previous blog post — How Al Dunlap came to destroy Sunbeam Corporation — it tells us a lot about Dunlap's destructive behaviour. It is easy to see that he would rate highly for Part 1 items in the PLC:SV, namely, being superficial, grandiose, deceitful, lacking remorse, lacking empathy and not accepting responsibility. These behaviours were apparent not only in his business life but in his personal life as well. On that basis, one could say Al Dunlap was most likely a corporate psychopath.

So how was that Dunlap was feted as this great turnaround guru and seen as the saviour of Sunbeam Corp? It was largely because Dunlap had carefully stage managed his life and achievements.

The hidden life of Al Dunlap

When Sunbeam hired Al Dunlap very little was known about the life he had carefully managed to hide. Much of this would only come out after the demise of Sunbeam with the publication in 1999 of *Chainsaw*, the unauthorised biography of Dunlap by John Byrne and what later investigations showed.

Albert John Dunlap in born in Hoboken, New Jersey on July 26, 1937. Dunlap changed the story of his upbringing apparently to enhance his image as a poor boy who made good. He claimed he was "the deprived son of a Woolworth's store clerk and a dock worker" when he actually came from a comfortable family situation.[24]

His younger sister, Denise, later explained their father was not a dock worker but a boilermaker at United Engineers which built power plants and their mother was a home maker. They were actually quite well off.

It seems he was a good student and a solidly-built athlete while at high school which no doubt helped after he graduated in 1956 to be selected to go to the U.S. Military Academy at West Point. But he did have a foul temper as a teenager which would continue throughout his life. This was probably reinforced by his experience of bastardisation (hazing) by senior students at the Academy. In his 1966 book, *Mean Business*, he recalls his time at West Point:

> The Point was extraordinarily difficult. It looked glamorous on the outside, but inside there was nothing but hard work. . . I was ill-prepared for the military life. The two biggest drawbacks for me at the Point were that I couldn't march worth a damn and that I never wanted to be an engineer, the primary career for which cadets at the Academy were trained. Frankly, I hated engineering. I wanted to be a lawyer, actually. I was drawn to its competitive, adversarial nature and saw the law as a way of putting my verbal skills to effective use.[25]

He graduated in 1960, 527th out of his cadet class of 550 with an engineering degree. He then went on qualify as a paratrooper and was stationed at a nuclear missile site in Maryland for the next three years.

In 1961 while still serving in the army he married a nineteen year old model, Gwyn Donnelly. It didn't take long for Gwyn to discover her husband was an angry and sometimes tortured individual. It was only decades later that the extent of the domestic violence that she had endured—both mental and physical —became publicly known. One example was detailed in her 1965 divorce complaint:

> Coming home from work, he would conduct military-like inspections of the house, ducking his head under the mattress of the bed and moving chairs away from the walls to see if he could find even a trace of dust. If he did, Dunlap went ballistic. When she

> told him she was pregnant in May 1962, according to the complaint, Dunlap became violent. He told her he would divorce her and move to Europe so he "would not have to support you and your brat," the complaint alleged.[26]

By the end of 1964 Gwen had enough of the death threats and physical mistreatment and left home with their two-year old son, Troy, for good. Dunlap didn't contest the accusations in court, which the judge described as "extreme cruelty", and a divorce was granted in November 1966.[27]

By then he had decided that the military wasn't for him and he had started on a business career in 1963 that would see him gradually rise through the ranks to eventually be in charge of organisations and do what he liked.

Meanwhile he had lost a wife and had also cut ties with his family. Once he first became married he had little to do with his parents or sister. He would send a card to his mother for her birthday but that was generally all the contact he had. He didn't even go to their funerals as he was "too busy". He had little to do with his son, Troy, after his first marriage ended. And when his sister asked if he could help out when their mother needed care, he refused.

His first role as a CEO came in 1982 when he arrived at Lily-Tulip Inc., a producer of disposable cups and plates:

> He got rid of 20 percent of Lily's staff, 40 percent of its suppliers, and half of its management. In three years, he fired eleven of the company's top thirteen executives. After a $10.8 million loss in 1982, Lily earned $8.3 million in 1983 and $22.6 million in 1984.[28]

By now married to second wife, Judy, he was starting to be recognised as a turnaround specialist. Next, we find him taking on international assignments for Sir James Goldsmith, followed by Kerry Packer at Australian Consolidated Press, where he would refine his slash and burn techniques. He returned to the USA in 1993 with more than enough money for retirement.

In 1994 he was recruited to take on the CEO role at Scott Paper, based in Philadelphia. The company was in decline. It had "lost market share for four years in a row and posted a loss of $277 million in 1993."[29]

Dunlap was looked upon as the ideal candidate. There was a problem, though. Dunlap had conveniently kept hidden from his resume two relevant positions back in the 1970's and the executive search company, SpencerStuart, overlooked these gaps in his employment history. It only came to light in 2001 that he had been fired in late 1973 from Max Phillips & Sons after seven weeks for "neglecting his duties" and hurting the company's business. The second and more serious omission was Dunlap's appointment in May 1974 as president of Nitec in New York State. Under Dunlap's leadership Nitec posted a profit in 1976. But he was fired shortly after because of his grating management style.[30]

It was only after he left that an audit found that there was no profit at all but instead a $5.5 million loss. As reported in the 2001 article in the *New York Times*, "The auditors found evidence of expenses that were left off the books, of overstated inventory and nonexistent sales."[31]

Dunlap was sued and the ensuing court cases dragged on for years, only coming to an end in 1983 after Nitec went bankrupt. He denied any involvement in the fraud, saying he did not have a "strong financial background" and blamed the accountant.[32]

His time at Scott Paper would make him famous as a turnaround specialist and extremely rich. But his prescription for Scott Paper's woes would be brutal just like it would be for Sunbeam.

And while news of the closing of Scott Paper plants around the country mostly wasn't welcomed in the local communities, Dunlap himself was feted in the media as a "master manager, with articles that dispensed his advice and wisdom on management, executive pay, corporate governance, and the economy."[33] He welcomed all the attention.

When, in July 1995, Kimberly-Clark purchased Scott Paper for $9.4 billion, the shareholders "saw their investment in the company rise by 22 5 percent. Under Dunlap's leadership, the company's market capitalization went up by an extraordinary $6.3 billion."[34]

It was now time for Dunlap to move on. He was acknowledged in the business press as the hero of Wall Street and claimed his $100 million payout was justified. Dunlap was fortunate with the timing of the sale. It turned out that the projected income for the fourth quarter of 1995 of $100 million turned into a loss of $60 million.

Kimberly-Clark had paid far too much and would spend a massive amount in further restructuring the business over the next three years.

It was a forerunner of what he would do at Sunbeam — only this time he would be caught out.

What can we learn from the Al Dunlap Story?

Queensland-based consultant forensic psychologist Dr Nathan Brooks recommends that businesses revise their recruitment screening process, warning of the dangers of hiring "successful psychopaths" as a result of prioritising skills above personality traits when considering candidates.[35]

In a similar vein, Professor Karen Landay from the University of Missouri recommends that "talking with a person's peers, subordinates and supervisors offers greater insight about a person's leadership style and personality." She adds, "How leaders treat people in their organizations can have long-term implications. If leaders are aggressive or threatening, it's going to result in higher stress and turnover among workers."[36]

This has important implications for organisations as they will likely face legal claims for workplace bullying. By law, organisations must provide a safe workplace.

Harvard University's Barbara Kellerman is critical of those individuals who allowed Dunlap to cause such chaos and misery:

> Al Dunlap, former chairman of the Sunbeam Corporation, could not have been so outrageously callous had he not been surrounded by deferential aides, a pliant board, and complacent stockholders, all of whom let him get away with being bad.[37]

Sheehy et al., writing from a legal perspective, expand on this warning to board directors:

Ultimately, responsibility for monitoring and control of the executive rests with a Board of Directors. No board can escape responsibility for a failing organisation. The law of directors' duties makes it clear that the job of the director is not honorary. Rather, it is to ask the hard questions, make the hard calls and make the right decisions in response. It requires sceptical smelling of the wind, not burying information, nor excusing questionable behaviour on the basis of promises, nor turning a blind eye.[38]

Why did his Wall Street patrons and the Sunbeam board support Dunlap for so long? It simply came down to greed and self-interest. The same story would be repeated with the Enron debacle and the financial crisis of 2008. That's another story about corporate psychopaths.

Notes

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