

# [Dennis kozlowski essay](https://assignbuster.com/dennis-kozlowski-essay/)

L. Dennis Kozlowski To many Americans, Dennis Kozlowski is the poster boy for corporate excess and the personification of insatiable greed. From humble beginnings to the top of a corporate empire, Kozlowski showcased a determination to succeed and a willingness to bend rules in order to achieve his goals. The Kozlowski story is chronicled through the aggravated streets of youth, the respected positions of power and the isolating effects of razor wire. Leonard Dennis Kozlowski was born in 1946 in a Polish neighborhood in Newark, New Jersey.

His father was an investigator for Public Service Transport (the predecessor company to New Jersey Transport), and his mother worked for the Newark Police Department as a school crossing guard (3). His upbringing implies, perhaps analytically, that his parents schooled him in an emphatic moral code. Growing up, he aspired to become a firefighter, but he ultimately decided to major in accounting at Seton Hall University, a small Catholic school in his home state (1). He paid his tuition by playing electric guitar in a band.

His seemingly humble beginnings would eventually serve as a sharp contrast to the lifestyle he would later live and enjoy. In 1975, he joined the ranks of Tyco Corporation, a Swiss industrial conglomerate that makes items ranging from fire sprinklers to burglar alarms (1, 3). His first position was as an internal auditor, but his exceptionally enterprising and effective management skills propelled him to Chief Operating Officer in 1989 and Chief Executive Officer in 1992 (1).

Soon, Kozlowski developed a shrewdly successful mentality of acquisitions and consolidations. Coined “ Deal-aMonth Dennis” for swallowing up smaller companies into the Tyco machine, he was an aggressive CEO who trimmed the fat, sparked innovation and focused on winning. Kozlowski was quoted as, “ If everyone is mining for gold, we want to make the pick axes” (1). Investors and analysts come to appreciate Dennis’ mentality and the direction he was taking Tyco. Its stock price powered upwards from roughly $5 in 1992 to a peak of $62 in early 2001 (5).

Kozlowski personally profited as well by becoming the highest paid CEO in America in 1999 by earning more than $170 million (tied mostly to the performance of Tyco’s stock price) (1). Dennis’ rags-to-riches ascension led to a love of beautiful, elaborate and expensive possessions, and boy did he spend money. He gave away millions to schools and charities in New York, Maine and Nantucket, Massachusetts (1). He paid nearly $30 million to build a mansion in Boca Raton, Florida and an additional $30 million to buy, renovate and furnish an apartment on Fifth Avenue in Manhattan (3).

Infamously, this Manhattan apartment was decorated with such extravagancies as a $6, 000 shower curtain and a $15, 000 dog-shaped umbrella stand. His collection of airplanes and speedboats was topped off by a $15 million purchase of a vintage, 1930s racing yacht named Endeavor. In 2001 alone, he spent more than $13 million on fine art which was suggested as an attempt for acceptance into the New York social scene (1). We are, after all, high schoolers at heart. And finally, he threw a fortieth birthday party for his wife on the Mediterranean island of Sardinia for $2. million. The party included a performance by Jimmy Buffett, young women dressed in togas throwing rose petals in a pool, oiled, muscular young men posing in gladiatorial positions and an ice sculpture of Michelangelo’s David urinating Stolichnaya vodka (1, 4). With all this wealth and excess, what went wrong? Kozlowski wore a cloak of invincibility as the leader of a company whose revenues increased by 47% annually from 1997 to 2001 (3). In the eyes of investors (and Wall Street), he could do no wrong. Unfortunately, they were mistaken, and Tyco was being robbed blind.

Kozlowski’s first misjudgment was on the purchase of a piece of art in New York City worth several million dollars. In order to avoid paying sales tax in New York, he had the artwork shipped out of state to Tyco’s headquarters in New Hampshire. (New York’s law contained a provision where sales made from the State of New York to other states were not subject to sales tax in New York (7). ) A Tyco employee signed for the package and immediately shipped the artwork back to Kozlowski’s Manhattan apartment. By avoiding approximately $1 million in sales tax, Dennis was playing fast and loose with the rules.

Robert Morgenthau, New York County’s District Attorney (borough of Manhattan), opened an investigation into Kozlowski over the unpaid tax. After the investigation, a formal indictment was issued for the felony of conspiring to avoid sales tax, i. e. , sales tax evasion (7). Two days after learning of the indictment, Kozlowski was told “ there was too much mud on the windshield”, and the board demanded his resignation (1). Several weeks after insisting to BusinessWeek that he would never resign as CEO, Kozlowski had done just that and was unemployed (3).

To avoid paying Kozlowski his “ golden parachute”, Tyco hired a team of lawyers and accountants to look through the company’s financial statements in the hopes of finding ammunition to use against him. What they uncovered would go much further than tax evasion. The financials uncovered tens of millions of dollars routed through the company’s Key Employee Loan Program (designed to assist executives in satisfying tax liabilities resulting from stock issuance) that went to Kozlowski for alternative reasons (1, 8). The house in Boca Raton?

Financed partly through a $19 million payment courtesy of Tyco. The Manhattan apartment? Entirely paid for by Tyco. The elaborate birthday party in Sardinia? Tyco footed half the $2. 1 million total. Coincidentally and conveniently, soon after each of these “ loans” were issued, the accounts were cleared and the amounts were forgiven. Armed with significant evidence of fraud, Tyco informed Morgenthau and new charges were brought: “ enterprise corruption”, namely grand larceny and unauthorized compensation (principally in the form of bonuses and loans totaling $170 million) (8).

If convicted, Kozlowski could spend up to thirty years in prison. In the fall of 2003, the trial began. After pleading not guilty for his alleged white collar theft, the prosecution brought its case and focused on Kozlowski’s manipulation of the employee loan program to pay for art, jewelry and mansions (1). The prosecution also spotlighted his lavish spending, a topic juror Ruth Jordan would come to see as inflammatory and unsupportive of the actual dispute of stealing Tyco’s money. Through many days of deliberations, the jury was deadlocked eleven to one (Jordan being the only dissenter).

She refused to convict based upon her opinion that the prosecution failed to show any undeniable evidence that Kozlowski had committed a crime. After Jordan received an anonymous letter in the mail condemning her for not voting for conviction, the judge immediately declared a mistrial (1). A second trial was attempted by the prosecution because Morgenthau wanted another bite at the apple. Streamlining their case with fewer witnesses and less of an emphasis on Kozlowski’s abundant spending allowed the second case to proceed more quickly.

This time, Kozlowski himself took the stand to explain why he believed he never committed a crime as the company’s top executive. The jury convicted on all but one count, and Kozlowski was sentenced to eight to twenty-five years in prison and ordered to pay restitution totaling $97 million (1). The defense vowed to appeal, but in November of 2007, the New York State Supreme Court denied Kozlowski’s appeal in a unanimous decision. Kozlowski now spends his days in a protective custody unit in the medium security MidState Correctional Facility in, fittingly, the middle of New York State.

He works in the prison laundry, reads biographies and teaches GED classes to fellow inmates (1). Gone are the days of expensive weekend parties, private jets and ultimately, privacy and freedom. Kozlowski: “ I think the jury got it wrong. I still firmly believe I am not guilty of any crime they’ve charged me with and the jury convicted me of. I can admit mistakes. But there’s a difference between mistakes because that’s done innocently. I never intentionally went out and committed any kind of crime. Everything the prosecutor got was on books and records of the company.

No one was ever told to hide anything, and to shred anything, to cover anything up” (2). Abraham Zeleznik, a psychoanalyst and a Harvard professor, suggests Kozlowski was undone by a unchecked sense of entitlement: “ By entitlement I mean an aspect of a narcissistic personality who comes to believe that he and the institution are one” and thus “ he can take what he wants when he wants it” (3). Whether or not Kozlowski is a “ good” or “ bad” person is an individually moral opinion, and whether or not the judicial system “ failed” him, as he states, has already been decided by the appellate courts: it didn’t.

What does remain, however, is Dennis’ tarnished reputation, something which will be nearly impossible for him to repair. Corporate excess in America is oftentimes defined by the outliers. The media tends to focus on extreme examples of corporate compensation and magnify any negative consequences. Kozlowski is a man who, in his eyes, was used as a scapegoat for the retraction of the stock market in 2001 and 2002. Someone had to be blamed, and who better than a $100-million-a-year CEO? (6) References

Much of the information contained in this report comes from the American Greed documentary Party’s Over: Tyco’s Kozlowski by CNBC. It is cited below as number one. Party’s Over: Tyco’s Kozlowski http://www. cnbc. com/id/23240635 http://www. hulu. com/watch/46535/american-greed-partys-over-tycos-kozlowski (1) (2) I am Innocent http://www. hossli. com/articles/2009/05/22/i-am-innocent/ (3) The Rise and Fall of Dennis Kozlowski http://www. businessweek. com/magazine/content/02\_51/b3813001. htm (4) Top 10 Crooked CEOs http://www. ime. com/time/specials/packages/article/0, 28804, 1903155\_1903156\_190315 2, 00. html (5) NYSE: TYC http://www. google. com/finance? q= NYSE: TYC (6) Mug shot http://www. thesmokinggun. com/mugshots/celebrity/business/dennis-kozlowski (7) The People of the State of New York vs. L. Dennis Kozlowski; (sales tax evasion) http://news. findlaw. com/hdocs/docs/tyco/nykozlowski60402ind. pdf (8) The People of the State of New York vs. L. Dennis Kozlowski; (enterprise corruption) http://news. findlaw. com/hdocs/docs/tyco/nykozlowski91202ind. pdf