

# Case h.r

Business



The Rise and Fall of Dennis Kozlowski The Dennis Kozlowski story could be titled, “ The Good, the Bad, and the Ugly”. The good: As CEO of Tyco International, Kozlowski oversaw the growth of a corporate giant. At its peak, Tyco was gobbling up 200 companies a year. Under his leadership, the value of Tyco increased 70-fold. IN 2001, Kozlowski proclaimed his desire to be remembered as the world’s greatest business executive.

The bad: Things turned sour when Kozlowski and his former chief financial officer were accused of running a criminal enterprise within Tyco.

The two were charged with stealing \$170 million directly from the company and pocketing an additional \$430 million through manipulated sales of stock. The ugly: Kozlowski’s actions have almost destroyed the company where he worked for 27 years. In 2002 alone, the value of the company’s stock dropped \$90 billion! To understand Kozlowski’s behaviour, we should look at the events that shaped his personality. He spent his early years in humble circumstances.

He grew up in the 1950s and 1960s in Newark, New Jersey.

He said he was the son of a Newark cop turned police detective. It was only after he was indicted did it come out that his father was never a police officer in Newark or anywhere else. However, his mother did work for the Newark Police Department as a school crossing guard. His father, in actuality, was a wheeler-dealer who was a practiced deceiver and an effective persuader. He had a strong personality but, for the most part, kept his misdeeds to little white lies.

Friends remember Dennis as an easygoing kid who did well in school without trying very hard.

He was elected “ class politician” by his high school graduating class in 1964. He went on to Seton Hall, paying his way through college by playing guitar in a band. He served in Vietnam, held a few accounting jobs, and eventually joined Tyco in 1975. Over the course of the 1980s, Kozlowski’s happy-go-lucky demeanour disappeared.

As he climbed the ladder at Tyco, he became a corporate tough guy, both respected and feared. He eventually became CEO in 1992 and oversaw the rapid expansion of the company. Meanwhile, Kozlowski learned to live big.

He had a \$17 million apartment in New York, a \$30 million mansion in art for his luxury homes. He took extravagance to the extreme—for instance, spending \$6, 000 on a shower curtain! The more he made, the more he spent—and the more he allegedly stole. Although his total compensation was \$170 million in 1999, it wasn’t enough.

He manipulated the company’s employee relocation fund and Key Employee Loan Program (the latter created to help executives pay taxes due on stock options) to take hundred of millions in interest-free funds.