Name

Professor name

Subject

Date

Al Dunlap Sunbeam

I disagree with Al Dunlap’s view of stakeholders’ primacy because it didn’t aimed at creating value for them. I think one of the most important and essential strategies that a company must adopt for attracting investors. The worst part of this strategy was the emphasis on negligence interests of employees and community. I disagree with the viewpoint of Al Dunlap because the business that he planned lacked ethics. It is unfair to serve the investors only and neglect employees. The income paid to the employees is also created through their work and productivity so it is not right to neglect their interests. The strategy was focused on strengthening the power of the leaders of the company.

The compensation packages at the beginning of the year was $507,054 that reached $2,000,000 by the end of the year. The compensations included no bonuses but value on grants were made. Value at peak stock price during the start of year was $110,724,000 that reached $127,406,000 by the end of the year. These compensations motivated the shareholders to remain part of the company and accept strategic decisions of Dunlap (Hall and Khurana). These compensations offered huge benefits to the shareholders and retained them for long-term. Although the employees were at the losing end because their value didn’t increase with the strategic decisions made by Dunlap. The downsizing of employees was also to offer value to the shareholders.

Al Dunlap created controversies at Scott Paper because 70% of the staff was fired at headquarters in Philadelphia that was also his hometown. The relationship of Scott with suppliers also started to break after Dunlap’s appointment as CEO. He argued that the layoffs were essential for saving the company. This raised tension as the compensations were based on the performance of stocks. The wealth of Dunlap increases due to the rise in stock prices. This reflected that Dunlap’s strategy was focusing on his personal interest. Wealth of Dunlap increased by at leas $100 million. Many claimed that the large compensation received at Scott was not justified because employees were not paid adequate wages. This wealth also allowed him to purchase the stocks at Sunbeam and he made $1.5 million. Many controversies were raised when he was made the CEO at Sunbeam. The first step was to finish monetary compensations for the external directors.

The compensations that Dunlap announces were $1000 for the meeting of board of directors that was previously $20,000 annually. Upon re-election they were allowed to buy 1,000 shares and were allowed to maintain ownership at Sunbeam for 2,000 shares. Charles Elson’s analysis of Dunlap’s strategy criticized that he has focused on overconsumption of low-level stock (Elson). Irrespective of the controversies he managed to make huge success even at the new place. The compensation strategy was in the interest of the shareholders but not in the favor of stakeholders such as employees and community (Nichols and Subramaniam). Sunbeam’s decision was wrong because the company made huge success initially after hiring him but suffered loss in the long-run. His strategy was not to take any bonus but receive package on stock options. The company failed to compete in the crowded market because the stakeholders were lacking motivations, resulting form inappropriate packages.

I don’t think if board would have given him more time he could have come up with changes specifically in the compensation plans. This is because his idea was to focus on the interests of shareholders only not to create a motivating environment for employees.

Work Cited

Elson, Charles M. "What’s Wrong with Executive Compensation? ." Harvard Business Review (2003).

Hall, Brian J and Rakesh Khurana. "Al Dunlap at Sunbeam ." Harvard Business School (2003).

Nichols, Donald and Chandra Subramaniam. "Executive Compensation: Excessive or Equitable? ." Journal of Business Ethics 29.4 (2001).