

# A 'Slash and Burn' Approach That Went Up in Flames

Sanford Sigoloff relied on ruthless corporate turnaround strategies that symbolize a bygone '80s era.

BY GLENN RIFKIN

**S**anford Sigoloff, the corporate turnaround expert, liked to refer to himself as Ming the Merciless, a villain in the old *Flash Gordon* comic strip, due to his evident delight in taking control of troubled companies, declaring bankruptcy, brazenly laying off executives and much of the workforce, and then making a killing by either selling the assets or finding a way to inflate the stock price when the company emerged from Chapter 11.

Sigoloff, an urbane former chemist and physicist, switched his focus to business in the 1960s when he decided he could enrich himself by restructuring struggling enterprises like the Wickes Companies, Republic Corp., Daylin Inc., and LJ Hooker Corporation, an Australian fashion retailer. With a reputation for a no-nonsense (some say mean-spirited) leadership style, he pioneered

what became known as the “slash and burn” management philosophy, in which he saved troubled companies in ways that pleased creditors—but used huge layoffs and other massive cost cuts which critics say ripped the souls out of organizations.

Also called “Mr. Chapter 11” and the “Skillful Scalpel,” Sigoloff joined a prominent group of ruthless corporate chieftains with descriptive sobriquets, including “Neutron Jack” Welch at GE and “Chainsaw Al” Dunlap at Sunbeam, who made names for themselves during the tumultuous 1980s, when the “greed is good” era was in full swing. Underperforming assets had to go, these titans believed, and sentimentality had no place in corporate boardrooms.

Kathryn Rudie Harrigan, a professor at Columbia Business School, teaches a course called “Turn-around Management.” She consulted with Sigoloff



## Famous Nicknames from the Past



**NEUTRON JACK**

**Jack Welch**, ex-CEO of General Electric, applied massive layoffs but eventually became admired as the company's market value grew by 4,000 percent.



**CHAINSAW AL**

**Al Dunlap**, CEO of Scott Paper and later Sunbeam Corp. in the 1990s, became notorious for relentlessly firing thousands of workers from both companies.



**THE JUNK-BOND KING**

**Michael Milken** became an '80s icon for creating junk bonds to finance some megamergers. He later pleaded guilty to violating security laws but was released early for good behavior.



**RED RUPERT**

**Rupert Murdoch**, the global media baron, earned a reputation for hardball tactics as he amassed one giant firm after another.

in the 1980s and came to understand his methods. "Slash and burn is another way to say 'urgency,'" Harrigan says. "You can't dawdle around with these decisions because you are hemorrhaging cash. Once the numbers had been run, there was no time for sentiment, [you'd] just have to go out and execute."

When he took over Wickes Companies in 1982, for example, Sigoloff immediately purged nearly all of the senior-level executives as part of his reorganization plan. The giant lumber retailer soon filed for bankruptcy and then sold off many other businesses. By 1985, after Wickes was out of bankruptcy, it bought a variety of different homebuilding-related assets.

That wasn't Sigoloff's first purge. In the early 1970s he put the retail conglomerate Daylin into bankruptcy in an attempt to reorganize it. He laid out his strategy for returning the firm to fiscal health in a 260-page report known inside the company as the "Infamous Black Book" or IBB. In it, Sigoloff called for laying off more than half of Daylin's 16,000 employees and shuttering or selling most of its business units.

One of Daylin's only profitable assets was a Southern California hardware chain named Handy Dan Home Improvement, run by a CEO,

Bernard Marcus, whom Sigoloff reportedly bullied and eventually fired. But Marcus would ultimately have a strong supporter in Ken Langone, a well-known Wall Street investor who viewed him as a genius and bought stock in Handy Dan. With Langone's help, Marcus and his partner, CFO Arthur Blank, went on to form a new home-improvement firm of some note: Home Depot, the \$110 billion retail giant that made all three men billionaires.

Harrigan acknowledges that turnaround specialists like Sigoloff "don't always spot the gems when they are still rough." But, she adds, "the best way to explain a turnaround manager like Sandy is that he's right down there with his nose in the dirt pushing, and he expects everybody to be down there pushing along with him."

Sigoloff died in 2011 at age 80 from complications from pneumonia. Though he left a trail of disgruntled executives, he made no apologies for his methods. "I've been seen by some people as tough and analytical," Sigoloff told the *New York Times* in 1982. "I'm a numbers guy, a strategist. I like to do 100-piece white puzzles, where you're dealing with something that has form and substance, but it is hard to put the pieces together. And I'm a terrible loser." ■