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***Enron: The Smartest Guys in the Room***

1. After watching the movie, do you agree that Jeff Skilling and Ken Lay were the “smartest guys in the room” or would it depend on the room?
   * I do not think they were the smartest guys in the room. I believe they were the most avaricious and would do anything to keep making money. They put a lot of people lives and well-being at stake and did not warn them.
2. Skilling emphasized in his testimony before Congress that he was only acting in the interests of the shareholders. Do you agree? Why or why not?
   * No I do not agree. If Skilling was acting in the best interest he would have been honest with the shareholders and not lead them on and let them continue investing even when the company was not doing well in order to keep making profits for himself.
3. Are there other people whose interests should Skilling also have been protecting?
   * He should have been protecting the interests of the employees because they were doing the work and were suspicious. However, the top managers were leading them to believe everything they were doing was ethical, legal and they could receive profits. He should have also had the shareholders interest in mind as well because in the end they suffered from the loss.
4. Ken Lay is said to have “wrapped himself in the cloak of moral rectitude.” Do you know other people who adopt this image? Name an example. In your view, does this kind of behavior merit more or less trust among such people? Why or why not?
   * Bishop T.D Jakes. If you believe someone holds themself to high moral standards and you can visibly see that, it makes it easier for you to trust that person.
5. What message does the movie deliver regarding regulation versus “free markets”? Do you think this message is appropriate?
   * I believe the message in the movie was appropriate. Without regulation, businesses can do anything they want to do in order to make a profit. I think the message can show people the consequences of deregulation and benefits of having regulation in businesses.
6. One of the people interviewed in the movie states that there existed a “high school mythology” at Enron. What did she mean by that? Was that good or bad for Enron and its stakeholders?
   * Enron was one of the most popular companies and not many investors or analyst questioned the way Enron did business and how they were able to stay at the top. Enron did whatever they needed to do to gain profit. In the long-run it was bad for Enron and the stakeholders because the company was forced to close and employees were out of a job. In addition, stakeholders lost a of money from the investments.
7. According to the movie, Enron emphasized a “rank and yank” model of employee evaluation. Explain the model and discuss whether this is a reasonable approach for a successful organization.
   * Employees were scored 1-5 and had to perform in the top 10% of all employees. The successful employees received a bonus. If they did not perform in the top 10% there were released from employment. This was not a reasonable approach because employees would engage in unethical behavior and do anything in order to get the bonus and remain employed.
8. According to the movie, what was Jeff Skilling’s rationale for the use of the company’s unique application of mark to market accounting? Was Enron’s application of the mark-to-market method appropriate? How did the earnings reported under this approach compare to the company’s cash flows?
   * It allowed the company to gain potential future profit regardless of the amount of money that came to the business. The bottom-line was profit and that is all that was required to create the allusion of a successful company. It was not appropriate because if an idea fails you are unable to profit from it. The earnings reported and the amounts on the cash flows did not add up.
9. How did Enron unethically generate profits from electricity in California?
   * They purposely shut down the power in California and raised the amount the citizens had to pay in order to get the power back on. It was unethical because people were unable to participate in daily activities and work because there was no power.
10. After watching the movie, whose behavior was the worst – Ken Lay, Jeff Skilling, or Andy Fastow? Who received the harshest punishment?
    * No behavior was worse than another. They were all equally bad because so many individuals trusted them and lost everything in the long-run. They all knew the truth about the company and how bad it was doing and no one said anything. Even if they were a part of different departments, they still knew the bottom-line, Enron was not successful.
11. How did Enron’s executives use Arthur Andersen, Vinson and Elkins, and Wall Street as a defense for their actions? Note that, of these organizations, only Arthur Andersen was put out of business in the post-Enron period. Why was the accounting firm held to an apparently higher standard? Is this appropriate? Why or why not?
    * Because Enron paid the Andersen firm to do things that was unethical. If the Andersen firm or any other company were not for Enron they were against. Because the executives of the Andersen had to approve and look over everything, they were in charge of making sure Enron was playing by the rules. The accounting firm was held to a higher standard because the numbers were not adding up, but Enron was still said to be making profit and the stock prices were high. The accounting firm was in charge of auditing and because they passed Enron off as being successful, it made the firm look like it was also engaging in unethical behavior.
12. At Enron's top levels, executives knew of their wrongdoing, but everyone passed the buck. Other than changing business laws, how can we influence the "bottom line" mentality of corporations that puts fast profits ahead of ethics and basic honesty?
    * They should be put on strict regulation and have government authority to look over the statements of the business.
13. Among the overabundance of villains and people who looked the other way are a few heroes: Sherron Watkins, the Enron vice president and whistle-blower who repeatedly tried to steer her company in the right direction; an Enron trader who lost his job when he questioned the company's numbers; and McLean, the Fortune magazine reporter who first scrutinized the company for the general public. Does this give you hope that a handful of people can make a difference? What tools or policies can ensure that more employees speak out against work violations?
    * A small amount of people can always make a difference. Encouragement and protection from large companies will allow employees to speak out against illegal and unethical practices from any organization.
14. Why didn’t Arthur Andersen provide adequate assurance?
    * Because he was being paid a large amount to do what Enron wanted. If Andersen was not on the same team, Andersen would not profit from Enron.
15. Is this a movie about one bad apple and its egregious practices? Or is Enron an example of corporate culture at large?

* I think this is one bad apple because in the end Enron was exposed. Other large companies would not want to be in this position. All wrong doings and unethical behavior will always have consequences at the end.