

External or internal disaster in organization

[Environment](#), [Natural Disaster](#)



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Different Business is affected by internal and external factors. These aspects have significant influences on the way business organisations are operating. One of these is the so-called disasters in an organization.

Disasters may be considered as external if the forces happens from the external environment of the organization, like globalization, global financial crisis, technological changes and others while internal disasters are those that happens inside the organization like failure to provide quality service, inability to market the products and service well, inability to handle risks which affects the overall performance of the organization.

Primarily, the goal of this paper is to consider an internal disaster from one of the most controversial organizations in the market, i. . the case of Enron. Internal Disaster Aforementioned, one of the most talked-about issues and disasters in the industry is the auditing as well as accounting failure of Enron. It is considered as the largest bankruptcy and stock collapse (Fox 2003). Before the company faced this issue, Enron has been considered as a major American energy industry. The events or disasters that resulted to the bankruptcy and collapse started long before anyone had suspected fraud and anomalies at the industry.

In this disaster, two names have been noted: Arthur Andersen and Enron. One of the disasters that challenged the company is the inability of the management to anticipate the wrongdoings of Arthur Andersen. The disasters are centered in auditing aspects just before Enron filed bankruptcy. For example in 1996, Andersen's audit report regarding Waste Management finances were discovered to be irrelevant and materially false that results in

inflation of Income of the company by over \$1 billion in the middle period of the 1990s.

On the other hand, in 1997, it has been found out by the SEC that Sunbeam has used accounting tricks to create false profits and sales and Andersen's role in this disaster is that he signed-off these financial reports even after an industry partner flagged them. Herein, the company faced major disaster of partnering or hiring an auditing and consulting industries which is distrustful and irresponsible. Although the company has not been aware, Enron still has some plans to prevent such issue.

However, the initiative of the company when it comes to their financial audit has been very weak that it leads to their major bankruptcy. To be able to solve this kind of disaster, Enron management has provided disaster plans by identifying the root of the issue. After knowing the problem about Arthur Andersen, the management immediately seeks third party assistance to clear the issue by making Andersen pay for the scandals and anomalies he has done.

On one hand, another disaster faced by the company is in line with the inefficient and strategic decision making approach and also having ambiguous and vague firm economic and practice aims. Although Enron has some management plan, the company has not been able to execute this plan well. For instance, The CEO of Enron had various product plans which needed major financial support; the organization during that period was also going through major disasters in their international businesses.

In addition, it was not until Enron was financially unstable did the company starts to do something. So as to resolve this kind of disaster, the organization implemented different approaches. However, the strategy of the company only went from one major disaster of loss to the other. Because of the failure of the management of the organization to have strategic decision making, this lead to major disaster of investments and partnerships, the organization's growth slowed down . As a result more of its inabilities and failures had grown more apparent (Zellner et al. 2001).

Bankruptcy and various cases against the company had resulted to their bankruptcy. In addition, various employees of the organization had lost their college funds, life savings, and pensions along with the collapse of the company. Herein, it can be said that the management of Enron must be able to have strategic decision making for the future to continuously sustain the strength of the company. In order to solve this disaster, the organization has been able to initiate a proper and strategic decision-making of the company.

Herein, the company's decision should be made made strategically by identifying first the pros and cons of the decision that they made. The management sees to it that everybody should agree to the decision so that further conflict or risks within the company would not arise. Good decision making can be attributed as one of the vital factors that will help the business to achieve its core mission and objective. This alternative is helpful in a way that it can make the company more competitive and survive in the marketing environment. Conclusion

There are many lessons that can be learned from the case of Enron and Arthur Andersen. It can be concluded that, based on the case of Enron, it is

important that every individual in the business field should know how to manage or to handle disasters, specifically internal disasters in order for the business to achieve success and to be able to managed it effectively. In our case, it is important that the lessons learned from Enron and Arthur Andersen scandal should serve as enlightenment in making an efficient risk management manual