

Enron's failure

Business



Enron Company was one of the leading companies based in Texas. It was initiated in the late 20th century through the merging of the various companies including Omaha InterNorth and Houston Natural Gas. The integration of the pipeline systems was undertaken in an attempt to realize a global pipeline system producing natural gas.

The chief executive officer of that time, Houston Natural Gas, became the CEO of Enron. Following this, Enron emerged as one of the leading companies that traded in electricity and centered its profit outlay on the manufacture of natural gas and electricity across the globe. Indeed, in a period of just 15 years, Enron had manifested itself into one of the successful organizations across the world. The demise of Enron can be largely attributed to its relationship and dealings with the partnerships it created. A weakened economy in the wake of the Nasdaq tech stock burst and September 11th also assisted in the company's deterioration. However, other issues inside the company also played a key role.

Corporate culture inside Enron has been speculated as a major contributor to Enron's brutal collapse. It was a culture of greed and arrogance which bred excessive secrecy. An insider described Enron's culture as "adrenaline driven culture, with an obsession of 15% a year or better growth". Enron also had a rank or yank policy - anyone not ranking well was subject to be yanked. The workers who were yanked were given a short duration of time to vacate the premises, precisely 15 minutes.

At the centre of the Enron storm is the accounting firm Arthur Anderson. Anderson was both Enron's external auditor and their internal accountant

and advisor. Enron was Anderson's second biggest client. Before its demise, the accounting firm collected close to \$25 million in audit fees and even more for its accounting and advisory work. This remains one of the most highly debated issues in the US today, whether a public firm should serve as both a consultant and an auditor.

Anderson failed to raise the alarms regarding a number of accounting scandals, which inevitably brought the company to its knees. Whilst Anderson denies any wrong doing, including the shredding of documents relating to Enron, he has admitted to " an error in judgment in its treatment of Enron's " off balance sheet" vehicles, which led to an overstatement of profits by more than \$600 million between 1997 and 2000 (Sterling 25).