

# Business ethics - the enron scandal universal ethics point of view-

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The Enron Scandal Affiliation: The Enron scandal remains a historic event in the world of business. The collapse of this giant company elicited mixed actions and reactions within and without the United States. The corporate sector was forced to rethink its overall strategies and operations.

Specifically, many corporations began to take caution relative to accounting practices. The Enron scandal made it known that corporate fraud and corruption had gained ground in the business setting (Collins, 2006).

Addressing Enron's situation can take a number of alternatives, all of which revolve around the underlying ethical issues.

The accounting fraud that would eventually come to be known as the Enron scandal was a creative, institutional, and systematic plan (Malcolm, 2008). Parties that took part in concealing Enron's real financial condition were well known to the company. In this respect, the bid to address the underlying situation becomes an institutional process. To start with, the company's corporate governance had failed. Instead of hiding this failure, stakeholders could have been consulted on ways to foster and enhance corporate governance. By virtue of business operations, shareholders and all other stakeholders for that matter deserved to know the actual direction that the company was taking.

Board effectiveness, qualification, integrity, responsibility, and accountability were highly questionable. These aspects only came to light at a time when it was impossible to salvage the company. Given that business operations are profit-driven and that profits can undoubtedly attract unethical practices, there was need to vet and audit board operations from time to time. In so doing, the underlying issues were set to be identified before it was too late.

The situation can, therefore, be addressed by taking measures to ensure that the company does not run independent of shareholders and other interested stakeholders.

Conflicting interests were highly evident in the Enron case. Arthur Andersen played two roles in Enron; that of an auditor and that of a consultant (Malcolm, 2008). The direct implication is that one role relatively jeopardized the other, given that the same party undertook both roles. This situation stands to be addressed by ensuring that the two roles are handled by two independent parties. Ultimately, the management is to blame. This is because it downplayed the underlying risks of having an auditing firm that still offered consultation services to the same company.

Financial entities that maintained an off-book relationship with Enron were not fully accounted for. As a result, many transactions went unrecorded and unreported. Corruption deals further complicated the matter. Whilst all these practices were unethical, shareholders and other stakeholders failed to act in time. Their failures to scrutinize, supervise, and control the management on some corporate issues ended up costing them their worth in the company. A vital alternative to addressing this situation becomes shareholder/stakeholder engagement in corporate governance.

Remuneration, rewarding, and giving incentives to directors resulted in increased unethical practices in Enron (Collins, 2006). This process was not aligned with company performance, an aspect that contributed to the company's failure alongside substantial corporate fraud. Directors' greed and selfishness saw the shareholders lose billions of dollars. Policies relative to rewarding, incentives, and director remuneration stands a strong ground

in addressing the situation.

#### References

Collins, D. (2006). *Behaving Badly: Ethical Lessons from Enron*. New York: Dog Ear Publishing.

Malcolm, S. (2008). *Innovation Corrupted: The Origins and Legacy of Enron's Collapse*. Connecticut: Harvard University Press.