Business failure in enron and the organizational behavior theories that explain r...

Business, Company

Enron Corporation was one of the world's top electricity corporations that underwent a financial indignity, which involved Enron and its bookkeeping company. The scandal comprised of the detection of unbalanced accounting techniques, which occurred through the 1990s. This resulted in Enron filing for insolvency in December of 2001 (Thomas, 2002). The aim of this paper is to define how organizational behavior theories could have anticipated or illuminated Enron's failures.

Organizational behavior, is described as an area of study that explores the influence that groups, individuals, and structure have on performance inside the organizations for the aim of applying such information toward refining an organizations efficiency; precisely organizational behavior concentrates on how to increase output; decrease absenteeism, turnover and unusual workplace conduct; and raise organizational loyalty behavior and job fulfillment (Robbins & Judge, 2007).

The key players of any business are senior management, board of directors, in-house auditors and external auditors. In case of Enron, all the stakeholders were unsuccessful in playing their parts. Enron failure was mainly because of Enron's managerial team trying to make an enterprise which would raise riches amongst their owners.

Nevertheless, when it was exposed that Enron's stock prices were less desired, definite aggressive accounting procedures were needed. To make Enron's shares more favorable, the managerial team depends on an enlarged quantity of new capital, but had to hide the risks to the new financiers. Once Enron started this new type of accounting maneuver, the need to increase this type of dishonesty increased with each financial year.

Enron wanted to ensure they kept stirring forward at all costs. At this point, the checks and balances were necessary (Gudinkunst, 2002). During this state, management of the company failed to exercise their responsibilities. It was thought the Audit Committee of the Board should have been more cautious of the auditors and their work. As the prices and incomes of stocks were always rising, there was no requirement to scrutinize the internal accounting methods of Enron or the opinion letters of the accounting company.

The Board had a deceitful sense of safety and was extremely pleased with the accomplishments of Enron. This permitted the Board to relax with supervising management while accepting facts and figures from the managerial team at face value (Gudinkunst, 2002). Enron staffs were also involved with the ruin of the institution and in turn suffered also. The group hired over 100 in-house legal and accounting employees. All the staffs seemed to be working with endorsement of the administration team. At the same time as with leadership and executive, the staffs techniques were never examined due to the fact the employee motivations were great. The employees were getting rewarded huge salaries to help cover corporate debt and increase reported revenues.

Ethics and ethical standards are vital in the decision making process, financial planning and accounting process for every business where accounting standard is followed. The foundation for success is that business and accounting principles should be followed. Unscrupulous conduct is not a key to realize pinnacles in business (Subramanyan, 2002). The greatest ethical conduct in the area of decision making and accounting is that all the businesses must follow the International Accounting Standards. If correct ethical conduct is followed, the business will be able to shape up strong and long term business relations, and will have devoted clients. This will assist in raising the productivity of the firm and will enhance to its future progress and success.

The systems theory, that concentrates and places emphasis on the interrelationships rather than the components of a system, would have been able to detect the unethical accounting and management practices going on in the company.

The scientific management theory would have been able to identify and set the standards for the management this is because this theory states that managers make decisions based on Interpersonal Roles, Decisional Roles and Informational Roles. A clear definition of these roles would have avoided the faulty decisions made by the executive that led to the ruin of the company.

Application of the theory X and theory Y would have been able to identify the unscrupulous behavior of employees, by setting in place measures that would ensure ethical standards within the organization. However, it appears that the management concentrated on the motivation aspects of this theory and ignored the crucial part of increased output and efficiency.

In a nutshell, Enron failed due to corrupt practices by the administration team and all other players failing to perform. Failures are expected in any business, but by laying healthier organizational practices, risks can be reduced. The correct moral code of conduct ought to be followed, and businesses should concentrate on making the employees responsive of the several ethical policies.

Bibliography

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