

# Analysis of the enron scandal

[Business](#), [Company](#)



The way I would describe the culture at Enron is toxic and unethical. Executives used corruption, greed and deception to ensure share prices remained high.

Our textbook defines an aggressive organizational culture as “ companies who value competitiveness and outperforming competitors”. This term applies to Enron’s culture because Enron was driven by money and they were willing to do whatever it took to get ahead. The immoral behavior of the executives of Enron played a huge role in the fall of the company as their actions trickled down to lower level employees, creating a full-fledged unethical environment. There is also the brutal ritual of the “ rank and yank” employee evaluation system, this was a way for Enron executives to evaluate their employees and decide who was going to be let go. This system was an bi-annual event where employees are ranked by their co-workers in each division of Enron, employees who fell in the bottom 15% were fired. Enron failed to follow through on their corporate values which were said to be “ Communication, Respect, and Integrity”. In my mind, the company seemed to become a cult culture, almost like zombies with one goal in mind: money.

One word comes to mind when asked about leadership at Enron: greed. Enron is a popular example of a poorly operated company. Leadership within Enron was extremely poor, not only did the high level executives lie to the public, but they also lied to their own employees, telling them to continue investing in the company. Executives decided to hide loses through various accounting tricks rather than actually accepting the losses and working together to make the necessary changes, they did this so the Enron stock

prices wouldn't go down. Speaking specifically of CEO Jeff Skilling, he was a very aggressive and charismatic leader, his charisma caused people involved with the company to follow him despite him not following ethics in his management and eventually leading the company down a destructive path. Transformational leaders are defined in our textbook as "leaders who lead employees by aligning employee goals with the leader's goals. Thus, employees working for transformational leaders start focusing on the company's well-being rather than on what is best for them as individual employees". I think this term applies to Jeff Skilling as his employees seemed to forget about their own well-being and focused solely on the good of the company and spending more energy ensuring stock prices remained high instead of pursuing their own goals within the company. Another troubling issue was the lack of communication Skilling had with his employees. Employees of Enron were completely blind to the corruption that was going on within the company and employees were blind-sided when Skilling announced he was stepping down, unknown to the employees, he was leaving the ship before it sank.

Enron follows a functional departmentalization structure, the company began as a pipeline company however, as it grew, Enron split into 4 different divisions: production, operations, marketing and finance. Each division and business of Enron was kept separate from each other. The separation caused a lack of communication and there was no clear vision for where the company was going as a whole, each division focused on their own work and goals without considering other divisions. It was difficult to find a clear description of exactly how the structure of the company worked, however,

Managers seemed to take a more hands-off approach with their employees. I think Enron has a combination of decentralization and centralization because decisions were made by the high level executives, however, employees appeared to be on their own and able to make their own decisions within their position.

Could this type of disaster happen again?

In my opinion, yes, something like this could happen again. There will always be fraud in the business world, though something of this magnitude could be less likely, it is always possible that are companies performing unethical activities that may go unnoticed for some period of time. Greed will always exist and people will always be highly motivated by power and money. We can only hope that the Enron breakdown has taught an important lesson to all companies.