

# [Read case 12 and analyze and summarize the case based on the following:](https://assignbuster.com/read-case-12-and-analyze-and-summarize-the-case-based-on-the-following/)

The case study d “ Enron: Questionable Accounting Leads to Collapse” by Daryl Benson recounts the downfall of corporate giant Enron in the early 2000s. Enron, the product of a merger of two major gas pipeline companies in 1985 grew phenomenally in a few years. It provided products and services related to natural gas, electricity and communication to its wholesale and retail consumers. However, the heavy corporate culture that prevailed in the managerial and administrative spheres of the company led it to a dangerous situation while it was being falsely projected as an ever-succeeding profit making company. The author points to the accounting problems in Enron by those with vested interests as the major reason why it had a fallout. The company’s policy of having employee evaluations every six months after which the ones rated as the lower twenty per cent being hired must have forced the employees to project false claims of work and profit. Moreover, the general trend of misrepresenting the company to create an overall impression of being safe and secure all the time in the stock market claims could have led to a nexus of corruption and highhandedness.
The foundation of ethical conflicts in Enron could be traced back to the aggressive corporate structure of the company where all the employees were pushed to their extremes in order to meet unrealistic demands. Moreover, the company had to create the illusion that it was doing immensely well all the time, for which it had to forge documents and get approval by the legal and tax assessing bodies by using illegal means. The accounting problems Enron had were grave and unforgivable. Despite the many denials by those in power, the company had to face the charges of highhanded corruption and cheating on many counts, and it did lose ultimately.
The stakeholders were mainly the individual and other corporate investors in the project. They had to deal with the specific situation where the company had to hold on to a lie created by itself, till the moment it crashed. The Chair Ken Lay, CEO Jeffrey Skilling and CFP Andrew Fastow had their specific roles in the collapse. In fact they were responsible for the gradual decay and collapse of the company. Moreover, the company had been a major client of Vinson and Elkins, who submitted opinion letters supporting the legality of the company, further misleading the public. Merrill Lynch, the brokerage and investment-banking firm had to face scrutiny by federal prosecutors and the SEC for its role in Enron’s 1999 sale of Nigerian barges. Arthur Anderson was Enron’s auditor and responsible for ensuring the accuracy of Enron’s financial statements and internal bookkeeping. The manipulations that crept in all these allied agencies led to the fallout of Enron, and though some of these agencies survived the debacle, those like Merrill Lynch collapsed in 2008.
The study shows that manipulated progress charts with no eye on the long-term implications may lead many corporate companies to the misfortune that awaited Enron. The author doubts whether the world has learnt a lesson from Enron, and asserts that it is never too late to rethink and learn. However, it is sad and scary that many corporate companies have a blind faith in their work culture that defies ethical values. Moreover, the world ignores or silences whistleblowers like Sherron Watkins of Enron who tried to reveal the real state of affairs in the company after being mistreated by her superiors for just trying to be honest. The author feels that Enron could not simply be treated as a lesson in the history of corporate companies, but be seen in all its seriousness. Companies and people in general have to learn a lot form the case of Enron.