Enron scandal

Finance

Ethics are values relating to human conduct, withrespectto the rightness and wrongness of certain actions and to the goodness and badness of the motives and ends of such actions. If all people lived by this code the world would be a much better place. Having business ethics in the workplaces is very significant to having a truly successful business. Many companies have been forced to suffer losses or even forced to enter bankruptcy. Enron is one of the biggest examples of when making business ethical decisions go wrong.

An American energy, commodities, and services company based in Houston, Texas Enron was a big deal. Employing approximately 20, 000 staff and was being one of the world's leading electricity, natural gas, communications, and pulp and paper companies. Enron was a company on top on of the reason the fall was so drastic. Since Enron was the largest corporation contributor to the first presidential Bush campaign some people believed it to be a political conspiracy. The people in charge of Enron you can say lost their way, they became more worried about themoneyinstead of the wellbeing of their company and employees.

If Enron had stayed in the gray areas or at least the moral minimum then thing might have turned out different for them. Staying in these areas they would have made sure that all there business dealing was in compliance with the law. However just because a business deal is in compliance with the law does not mean it is ethical. Enron is the largest bankruptcy reorganization in American history and also the biggest auditfailureof that time. With the using of accounting loopholes, special purpose entities, and poor financial reporting, Enron was able to hide billions in debt from failed deals and projects.

Many executives at Enron were indicted for a variety of charges and were later sentenced to prison. Employees and shareholders received limited returns in lawsuits, despite losing billions in pensions and stock prices. As a consequence of the scandal, new regulations and legislation were enacted to expand the accuracy of financial reporting for public companies. Enron first started sliding down the unethical path when the market to market accounting style was introduced. Market to market accounting allowed Enron to book potential future profit on the day a deal was signed.

This is a problem because even if the company did not receive any money that day Enron could make it look anyway they wanted. Due to the large discrepancies of attempting to match profits and cash, investors were typically given false or misleading reports. While using the method, income from projects could be recorded, although they might not have ever received the money, and in turn increasing financial earnings on the books. Enron also had something in place called PRC the performance review committee.

It let employees review each other and people that did not meet the requirement you were let go and the better employees were rewarded. Employees constantly looked to start high-volume deals, often disregarding the quality of cash flow or profits, in order to get a higher rating for their performance review. Enron paid out multimillion dollars bonuses to top executive based on imaginary profit. Enron had to find real money to fund them so they merged with Portland General Electric Company. Enron became the largest marketer of natural gas and electricity.

Enron and Blockbuster signed a 20 year agreement to introduce video on-demand. After several attempts to get the concept together Enron realized it was not going to work. Enron estimated profits of more than $110 million from the deal, even though analysts questioned the technical viability and market demand of the service. When the network failed to work, Blockbuster pulled out of the contract. Enron continued to recognize future profits, even though the deal resulted in a loss. Enron debt was beginning to catch up with them and raise questions so they found different ways to hide it.

One ways was hiding the debt in a lot of dummy corporations. Their purpose was to purpose to raise the company’s stock to make it look like profit was coming in. At this point Enron had thrown business ethics out of the window. Making people invest their money in a company stock that had false value. Enron started using the electricity needs to their advantages having forced black out for the cost of electricity to raise and to make a profit. They did not care what the lack of electricity was doing to the people. When Enron went bankrupt the people lost everything there whole savings where gone and they were now without a job.

If people had stop to ask there self is this decision ethical or how it well affect others the Enron scandal could have been avoided. The executive put money over the wellbeing of the company as a whole and the employees. When making the important decisions about your business you should always look at the business, personal and legal side of the deal. Every deal has its outcome it is your job to predict the outcome and deal with the consequences of your actions. Hanshermannhesse3. " Enron - The Smartest Guys in the Room. " YouTube. YouTube, 22 Feb. 2012. Web. 10 Oct. 2012. .