The enron collapse essay

Business

The Enron Collapse Strategic Management 325 Enron grew from being an unheard of company, to one of the largest dominating companies in the industry in just a few short years.

The problem is that it got there by lying about its profits and concealing debts so they didn’t show up in the company’s books. The extent of this intricate scam is ruthless, and its collapse lies in the hands of the people in power. The way that Enron viewed themselves was a major factor as to why they went into bankruptcy.

Enron saw their company as being invincible and truly believed that competitors didn’t stand a chance against their company. Another major problem was that Enron’s corporate culture was not socially responsible and acted in an unethical manor. Enron’s focus was not to maximize shareholder’s profits, but instead was striving to maximize wealth for the top executives, even if that meant breaking company policy. Also, Enron had a very competitive culture, both internally and externally. This competitive nature, especially inside the company, was putting employees in a position where they had to compete for their job with someone who’s cubicle was right next to their own.

Enron had a “ rank and yank” system of hiring and firing. After every six months employees were ranked according to their performance by the top executives and the bottom 20% were automatically fired, no questions asked, and no room for reason. Enron had turned into this monster company who didn’t care who it hurt to make a buck. Perhaps it was the relationship Enron had with its stakeholders that lead to its collapse.

It is evident that Enron didn't care about its employees—hence the " rank and yank" system, and definitely didn't care about the investors because they certainly didn't have a goal of maximizing shareholder's wealth. Even the customers were blind sighted by the company. Enron had connections all over the west coast, and the Enron Traders were brutal in that they would go through extensive measures only to better themselves at the expense of others. They were controlling the market in an unethical way, shutting down power plants, and profiting from California's misery.

Enron didn't have any of its stakeholder's best interests in mind, except those of the top executives, and when a company doesn't take care of its affiliates, it can go nowhere but down. So, what's going to prevent this from happening again? I don't think there will ever be an answer for this question. Corporations have legal and economic regulations to adhere to, but the bottom line is that it's very difficult to enforce ethical responsibilities. Legalities and economic responsibilities are more cut and dry whereas ethical responsibility is harder to pin point where crossing the line would be.

Although, I do believe that this scandal along with the WorldCom scandal opened the eyes of employees, customers, investors, auditors, and the media. After these scandals I think everyone is a little more inclined to ask questions and expect ethical and social responsibility to be evident in every major corporation.