

# Questions and answers



**ASSIGN  
BUSTER**

The Enron Scandal The Enron Scandal In what ways did the leadership at Enron fail? Who were the leaders? The leadership at Enron failed because they were not attentive enough about the off-book financial entities of Enron. Management is partly to be blamed for not being transparent about the true picture of the company and its operations. Since the stock prices were rising, the Board did not monitor the executives' actions. The Board is at fault for permitting the suspension of Enron's own code of conduct to permit the conflicts of interest inherent in the off-books corporations. The leaders were Jeffrey Skilling, former Enron President and CEO, Kenneth Lay, CEO and Andrew Fastow, Ex-Chief Financial Officer. 2. How did leadership influence the organizational culture at Enron? Jeffrey Skilling and Andrew Fastow were instrumental in changing the organizational culture of Enron. They gave the perception that Enron was very innovative and very profitable. Enron has a dysfunctional corporate culture which was obsessed with short-term earnings so that the bonuses will be maximized. The employees began looking at high volume deals even if it meant disregarding the quality of the cash flows and profits. The employees' actions were reflective of their leaders' values and beliefs. Extravagant spending was common among its executives. The excessive stock options and corporate compensation gave Enron's executives too many incentives to manipulate the financial accounts and the stock price of the company. Corporate values and principles seemed to disappear at Enron at the time of their leadership. 3. Did the performance evaluation system at Enron support or undermine the company's business goals and leadership beliefs? Yes, the performance evaluation system at the time of Skilling supported the company's business goals and leadership beliefs. Skilling created the Performance Review Committee (PRC)

performance evaluation system of strict and harsh hierarchy which distorted the original values and ethical base of the company namely, respect, integrity, communication and excellence. He replaced them with the priority of gaining profit irrespective of methods thereof. Employees were then motivated to take to different questionable practices and were rewarded for bringing income to the organization. The entire managerial machine participated in this process, and subordinated the functions it had to fulfill to newly-formed philosophy and value of the company.

4. What was Enron's vision? How did the corporate culture and organizational leadership support or undermine this vision? " Enron's vision is to become the world's leading energy company - creating innovative and efficient energy solutions for growing economies and a better environment worldwide." I think the leaders of Enron were blinded by this vision that they forgot about their ethical base, which they themselves formulated. Their leaders lived by this vision so much so that they forgot about the importance of business ethics. The senior executives believed Enron had to be the best at everything it did and that they had to protect their reputations and their compensation as the most successful executives in the U. S. When some of their business and trading ventures began to perform poorly, they covered up their own failures.

5. In your estimation who or what groups were the primary cause of the Enron scandal? There are many causes of the Enron scandal. I think that both Jeffrey Skilling and Kenneth Lay should be blamed for the corruption at Enron. As CEO, it is their duty to make sure that no illegal actions were being undertaken by the employees. Lay has betrayed the shareholders through deception and lack of foresight into the consequences of Enron's accounting practices. Both Lay's and Skilling's actions were unethical. Skilling allowed

the use of accounting loopholes, special purpose entities, and poor financial reporting. He was able to hide billions in debt from failed deals and projects. Chief Financial Officer Andrew Fastow was also to blame because he misled Enron's board of directors and audit committee on high-risk accounting practices and he also pressured Arthur Andersen to ignore the issues.

Anderson, who was both auditor and consultant of Enron, was also to blame because of the conflict of interest between the two roles they played.

References Enron --- The smartest guys in the room. Retrieved 9 May 2011.

[http://www.archive.org/details/Enron\\_TheSmartestGuysInTheRoom](http://www.archive.org/details/Enron_TheSmartestGuysInTheRoom)