

Business ethics – enron essay sample

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When Jeff Skilling took the major energy company Enron over, he contributed to the hiring and development of an entire corporation with a crooked staff whom were corrupt all the way from the bottom employees to the top executives. Top executives “cooked the books” through a certain structured finance including accounting ambiguities, special purpose entities, and poor financial reporting. They were able to hide billions of dollars in debt from failed deals and projects. CFO, Andrew Fastow and other executives not only misled Enron’s board of directors, but also pressured them to ignore all the issues. In my opinion when the Enron decided to develop a system for the company, becoming the first energy company in the industry to adopt a mark to market accounting system, which was a system that allowed the company to attempt to predict (estimate) present income using future cash flows was when the unethical events/actions began to spiral out of control. The amounts (future cash flows) were more difficult to predict than the company planned for, but Enron continued to recognize future profits despite the losses that were actually being produced from the long-term contracts. Another ethical consideration was how Skilling encouraged employees to invest and buy stock in Enron when they knew the truth about the lack of value in the stock. Upper management (mainly Fastow) created a complex business model almost impossible to understand by any outsiders, and had financial statements that were so confusing to analysts, no one was able to foresee how financially corrupt Enron actually was. The management system created a dysfunctional corporate culture whose employees only cared about getting a good rating review and bonuses for themselves.

The floor traders were even talking to each other and getting excited about the fires and power outages happening in California, which were actually caused by the employees giving the unfair trade advantages. I feel like the Enron executives whom were sentenced to years in prison were justifiably punished, also I hope some of the traders on the floor (the ones talking about the events in California) were either punished with sentences or significant fines. However, many of the Enron shareholders filed lawsuits for a total of billions of dollars lost in pensions and stock prices, but unfortunately many of them received very limited returns from the lawsuits. Although I do think that the many executives who had a variety of charges filed against them and sentenced to prison were served justice, I do not think justice was achieved for the shareholders who lost their entire pensions.