The smartest guy in the room - the enron documentary

Business

The Smartest Guy in the Room - The Enron Documentary Business ethics entails the development of appropriate and socially acceptable phenomena in running business processes. Arguably, the internal and external environments of every business organization are always focusing on ensuring that the management practices pursue the intended purposes. Therefore, the practice of ethics prevails in business after the public is certain that the company's performances aim at achieving sound objects without fraudulent practices (Perrucci and Earl 320). Enron's unethical practices that further embraced deregulation approaches on its stock's prices influenced the financial industry negatively. Precisely, the company's top management inflated the stock prices and amassed overwhelming capital investments from the shareholders while the company was running into bankruptcy. After the company collapsed, Enron's shareholders were subjected to reduced per capita income, which further influenced a reduction in the country's GDP (Gross Domestic Product).

In order to prevent the occurrence of inflated stock prices that in turn influenced shareholders to invest in fraudulent companies, the government should issue strict regulations. The importance of this approach is to ensure that the business environment is informed about every company's financial prospectus, statement of profits and losses, and its overall performances in the market (322). Eventually, every company will only present actual information to the market and the shareholders' responses will in turn affect increase or decrease in the stocks' prices. Considering such a regulation is vital towards financial development and contentedness of the investors (325). This will serve for the benefit of the country's economic environment

since corruption and fraudulent company practices will be diminished. Enron’s top management is depicted in the movie as a group driven by the greed to earn and resuscitate the company to a profitable position. Therefore, the company’s accounting department embarks on the use of the “ mark-to-market” accounting tactic that aims at deceiving the investors’ population to acknowledge its performance through the highlighted bogus profits (Moeller 34). This accounting tactic enabled the company to forecast on its probable profits in a ten-year period and establish them on their current profit statement as though the Enron had made them. The tactic is fraudulent and should not be used in business organizations.

Enron’s CEO Mr. Jeffrey Skilling and Kenneth Lay are depicted in the movie as the people responsible for the company’s inflated stock prices. Essentially, the scenes show that the two characters devised precise and accurate tactics to ensure that not even the company’s personnel had knowledge on the financial status and profit base of the company. Therefore, the internal and external environment were not aware of the actual financial status of the company hence Lay and Skilling were capable of manipulating the essential entities that in turn led to inflated stock prices and a subsequent increase in demand (37).

Lay and Skilling were devoted to ensuring that Enron prospered over other companies in the country and its stocks were the most priced. Through the provision of quarterly financial statements, Enron’s stocks influenced a continuous increment in the population of investors as they considered it the most profitable company in the market, unknown to them that every report was bogus and implemented for fraudulent purposes. Lastly, the

management provided news to the external public that Enron engaged in profitable businesses that included the production and sale of energy and natural gas (41). These tactics led to continuous increment in the shareholder population.

Work cited

Moeller, Robert R. It Audit, Control, and Security. Hoboken, N. J: Wiley, 2010. Internet resource.

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