

Enron: the smartest guys in the room movie review example

[Business](#), [Company](#)



Business Law

Facts: The documentary began by showing the lead character of Kenneth Lay who later became the founder of the company called " Enron" that was incorporated in 1985. His credentials include a degree in business course in at the University of Missouri and University of Houston, where Lay completed a Ph. D. degree in economics in the year 1970 (Clinard and Meier, 2008, p. 180). Prior to the incorporation of Enron, he started as an executive in an energy company during the 1980s at the time of then President Ronald Reagan. This became his stepping stone to merge two companies: Houston Natural Gas and Inter-North situated in Nebraska. He was one of the highest earning CEOs in America as his company continued to grow. The highlight of documentary is the decline of Enron that took places in 2001 after the top executive were alleged to have committed fraud and conspiracy. The film also has shown the wrongdoings of Enron traders when they took advantage of the electricity crisis in California. The film has also shown interviews with former Enron employees, members of the top management and the McLean and Elkind as the authors of the book.

Only a couple of years after Enron was incorporated, a news outrage broke involving traders of the company who invested in the oil markets which resulted to the consistent profits of Enron. In addition, the CEO Louis Borget divested money of the company to offshore bank accounts to conceal the earnings of the company. Clinard and Meier (2008, p. 180) reported that some auditors bared the fraudulent schemes of Enron. However, its founder Lay has continued to instruct the traders to earn more money for the company. The persistent traders were removed from the company after it

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was revealed that they used Enron's reserves in risky dealings (Clinard and Meier, 2008). Lay started to market his shares stock as soon as the value of the stock declined in 2001. He continued to vend his shares to more and incited them that they are making a good investment based on the profitability of the shares. By the end of 2011, Enron declared bankruptcy, resulting to the closure of the company and termination of almost 4, 000 employees and loss of billions of investments. Lay unceasingly denied participation in disaster that eradicated the company (Clinard and Meier, 2008).

Issue: Whether or not Lay is guilty conspiracy when he incited his employees to derive income using illegal schemes.

Law: Lay is guilty of conspiracy and fraud when he marketed his shares to the public, knowing fully well that the company is on the verge of bankruptcy.

Conspiracy exists when there is an intent to perform a crime or offense, based upon the agreement of two or more persons, and one of the conspirators has decided to commit the overt act to further the controversy (Cascarino, 2012, p. 72). The overt act shall include any act that may indicate that an execution phase of the conspiracy has taken place. Such illegal act has been performed in successfully commit conspiracy when the parties decided to commit it the crime for their own benefit. In this give case, the guilty parties are: the founder, Lay and former executives Borget, Skilling, and the traders who divested money through the act of price manipulation of the shares of stock and defrauding investors. In this case, Enron executives can be charged of violating the Securities Code by using

fraudulent schemes and machinations involving the sale of the shares of stocks of the company.

Discussion

The documentary film has shown that Lay hired Jeffrey Skilling to take the position of as the new CEO of Enron. He became the successor of Lay and practiced the mark-to-model accounting scheme (Clinard and Meier, 2008). Based on this scheme, the company will record the prospective profits on the basis of the incoming projects the moment the investors have signed to agreement. Here, Enron booked the profit even if the project result is yet to be unseen. It provided Enron the opportunity present the company to be earning substantial income in order to deceive the public. Skilling also formed a highly competitive and vicious working environment for their employees based on their yearly performance. Another executive Lou Pai, the CEO of Enron Energy Services (EES) stole money from Enron when he sold his stocks worth \$250 million in order to buy a ranch in the state of Colorado. His conduct is dubious and questionable since he was often seen frequenting night clubs and other vices. To continue its illegal business, Enron hired the best PR campaign team created a good image for the company and cover its poor performance. By employing fraud, Enron was still given the recognition of being one of the most admired companies awarded by Fortune magazine for the past 6 years. It as through the initiative of Bethany McLean and Jim Chanos, who started to probe the questionable financial statements of Enron and the true value of issued stocks of the company (Clinard and Meier, 2008).

Conclusion

Lay who is the founder of Enron, and the top executives of the company must be charged of conspiracy by using fraudulent schemes earn income from the sale stocks by employing deception to conceal the real financial condition of the company. They are all accountable for the criminal charges of conspiracy, fraud and false statements that caused the bankruptcy of Enron (Clinard and Meier, 2008). The conspiracy among the parties was clearly established when they agreed to make profits by issuing false statements to the public. It is clear from their overt actions that they have the same goal of obtaining profits from the crime and decided to commit it together. Here, some of overt acts there were performed included divesting of money and using illegal business practices to manipulate the price of the shares of stock to swindle the investors.

Therefore, based on the provisions of the law, the executives were guilty of resorting to fraudulent schemes when they sold the shares at a higher price by issuing false statements that contained material facts to ensure that the company was in a stable financial condition. Aside from the criminal charges, they are guilty of violating Section A. 3 of the Code Ethics and Standards of Professional Conduct when they failed to exercise reasonable care and judgment when by false statements to make it appear that Enron was making profits in order to profit from the sale of the stocks. Here, there was failure to obtain and preserve independence and objectivity when they issued the false statements (Code of Ethics and Standards of Professional Conduct, 1999).

References

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