

# Business, law, and ethics

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According to the article entitled 'Understanding Enron: It's About the Gatekeepers, Stupid,' it can be said that there are different factors that led to the failure of gatekeepers. Basically, "gatekeepers are reputational intermediaries who provide verification and certification services to investors." Thus, the gatekeeper plays a watchdog role to ensure that corporations are operating within expected ethical standards. In this particular case, it can be noted that the gatekeepers did not perform their professional duty since they did not objectively monitor the performance of Enron. For instance, they let the company adopt the sell recommendation which is detrimental to the investors. Instead of playing their watchdog role, the gatekeepers failed to perform this function which led to the collapse of the company.

The gatekeepers also failed to detect securities fraud as it took place at Enron. This contributed to the collapse of the company. The euphoria in the market made the gatekeepers less relevant thereby overlooking their work. This compromised their credibility since it resulted in the downfall of the company. Regardless of the market conditions prevailing at any given moment, it is imperative for the gatekeepers to make sure that they perform their expected duties so as to safeguard the investors' money. Failure to adhere to their stated goals may result in fraud activities being committed by the directors of the organization concerned. This is what happened at Enron since the directors engaged in unethical practices that resulted in the downfall of the company.

There is also a need for the gatekeepers to preserve their reputational capital so as to ensure that their clients are operating within the expected framework. However, in this case, it can be seen that the gatekeepers' <https://assignbuster.com/business-law-and-ethics-essay-samples-2/>

reputational capital slackened and this resulted in them failing to perform their expected duties. This compromised the performance of the company and it contributed to its downfall. Once the gatekeepers have been reluctant in their operations, they may not be able to detect problems that may impact negatively on the operations of the company. the monitoring function of the gatekeeper is meant to ensure that things such as fraud are not committed by the company executives in their operations.

The case of Enron also shows that the gatekeepers did not perform their obligations to monitor the operations of Enron. In order to prevent such a situation from happening again in the future, it is imperative for the gatekeepers to closely monitor the operations of their clients so that they can make meaningful decisions that do not impact negatively on the company. There is need for the executives to work closely with the gatekeepers in order to be in a position to avoid similar situations from happening in the future. The watchdog role is very important in as far as the operations of the company are concerned. This also helps the shareholders to gain confidence in the company if it is performing within the expected standard measures.

#### Works cited

John C. Coffee, Jr. ' Understanding Enron: It's About the Gatekeepers, Stupid,' July 30, 2002Columbia Law School.