Decision-making pitfalls: the enron debacle

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Decision-Making Pitfalls: The Enron Debacle Table of Contents Groupthink Can Lead To a Disaster from Enron Case 3 Unethical Act 3 Enron Case an Example of the Way in Which Unethical Decision Making Can Lead To a Disaster 4 Unethical Decision or Behavior 4 Company and Its Stakeholders 5 Consequence of CEO for Unethical Decision Making 5 References 6 Groupthink Can Lead To a Disaster from Enron Case Group thinking takes place when there is excessive group cohesiveness. A circumstance where group thinking contributed towards the company's downfall can be exemplified with the demise of Enron. Members associated with the company contributed in certain ways to the downfall. The group thinking contributed to the inability of the management and board of directors to rethink the proposal of Jeff Skilling. They were unable to determine the future market value for the long run and led to the fall of the company. The group thinking of the management and the board was unable to decide the financial aspects in the future that ultimately led to the occurrence of such event in the US market. Unethical Act The debacle of Enron was due to the unethical practices that developed an unhealthy business environment. It was Enron's top executive who misused the power. They had the power and bestowed orders to the subordinates by taking the advantage of the legal loopholes to justify their unethical behavior. The top level management was responsible for the unethical practices that forced the company to collapse. Kenneth Lay, Jeffrey Skilling and Andrew Fastow also had certain influential power in the unethical practice. The management was part of group thinking that led to unethical practices. Enron Case an Example of the Way in Which Unethical Decision Making Can Lead To a Disaster The disaster of Enron and the trial was a case in which unethical decision making resulted to a debacle.

From this case, the complexity of ethical decision making in large corporations can be identified. The hiding of the financial information by Kenneth Lay (CEO) of Enron and Jeff Skilling has been an exemplary unethical decision in the corporate world that misguided the stakeholders and subsequently caused the company's downfall (Ferrell & Ferrell, n. d.). Unethical Decision or Behavior The concealing of the accounting information from the stakeholders was the unethical decision by the management that led to complexity in the organizational environment. The unethical behavior of the top-level executives in hiding the financial data had developed the situation. The unethical decision was due to the immoral practices of the top-level executives of Enron. Kenneth Lay, Jeff Skilling and Andrew Fastow were the top-level executives of Enron that implicated in the downfall of Enron. Andrew Fastow, the chief financial officer (CFO) of Enron was charged for money laundering, conspiracy in connection with improper partnership and fraud. Jeff Skilling was charged for securities fraud, insider trading, false representation of the financial statements, wire fraud and conspiracy. Kenneth Lay was charged for producing misleading statements. Company and Its Stakeholders Enron lacked commitment towards their stakeholders especially employees. Enron was bankrupted and such situation of the company affected the financial status of the stakeholders. The shareholders were selling their shares and the employees had to face unemployment. The retired employees suffered too due to the scandal. The investors of the company lost billions of Dollars. The company collapsed and was under the trial for huge compensations under various acts of the US Government (Boje & Rosile, 2002). Enron collapse had affected approximately US$ 60 billion worth of investment and nearly 5600 employees were jobless (U. S. News &

World Report, 2006). Consequence of CEO for Unethical Decision Making CEO Kenneth Lay faced a trial and a Houston Jury found him guilty of conspiring to conceal the company's fiscal condition in the year 2000 and 2001. There was compensation that was imposed upon the CEO. But he died while waiting for the sentence of the court. His property was seized and the compensation was fulfilled. Other assets were under court trial for valuation.

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