

Lehman brothers analysis essay



**ASSIGN
BUSTER**

After all the public uproar over Enron and then the passage of the Sarbanes - Oxley Act to protect shareholders, internal and external issues may arise within any organization. Some of these issues can be so severe (for example, Enron) they can push an organization to discard their moral, ethical, and even legal responsibilities in an effort to save themselves. In a survival situation, the decisions made at the time seem to be the only logical option to save the organization. However, the reality afterwards only tends to show how precisely wrong the choice they made was.

The Enron scandal involved many employees within the organization who knew of the illegal and unethical practices going on. The employees ignored their ethics and morals, and allowed the practices to continue. A similar situation occurred in the Lehman Brothers' scenario; Lehman repeatedly exceeded its' own internal risk limits and controls. Culture and rewards structure was one of their many problems at Lehman. Other problems at Lehman consist of the firm's top leadership, the executives made their problems worst by their conduct.

External social pressures play a very important role in influencing organizational ethics. There tends to be many stakeholders within any organization; a stakeholder has its' own agendas, and these agendas will overlap one another. These stakeholders will include the consumers, communities, employees, and its shareholders. An example of this situation would be Enron, who in 2006 was in a scheme whereas it had constructed several off-the-books partnerships. The partnerships used to hide the massive debts of Enron, in turn artificially inflated there their stock prices

(Trevino & Nelson, 2006). This was a shameless attempt to keep current stockholders happy and attract new shareholders.

Although organizations will face social pressures, the organization has a responsibility to maintain its' ethical and legal standards. Just because an act has no legal consequences, unethical issues may still be present. Ethical issues and legal issues often overlap, but their relationships are more complicated than one may think. In many large corporations, there is still intense pressure on employees to produce extraordinary results without much concern for the costs it places on customers and society at large. This is the reason, we still continue to these types of situations. As long as board of directors, CEOs and top managers push employees to perform at these levels without proper controls and balances, laws such as Sarbanes-Oxley will only serve as a band-aid to the, larger issue of corporate greed. The Sarbanes-Oxley Act of 2002 is mandatory. All organizations, large and small, must comply.