

# [Personal ethical framework essay](https://assignbuster.com/personal-ethical-framework-essay/)

According to Johnson (2012) leaders are powerful role models, and policies will have a little effect if leaders do not follow the rules they set. In Enron case, corruption and ethical misconduct were deeply embedded in their business culture where profitability was more important than ethics. In this paper, I will address the factors that had led to the development of the culture of profit before principle at Enron.

Also, I will create my personal code of ethics that will guide me in my professional and personal decision making and doing the right thing when faced with ethical challenges. “ Enron: The Smartest Guys in the Room” shows us how basic human nature does not change, whether it is firing as a means to resolve disputes, or in the ceaseless obsession to gain for profitability sake. This all makes for terrible human actions. According to Bethany McLean, the collapse of Enron is a story of “ human failure” that created a culture where profitability is the priority.

According to Boatright (2003) the major factor in Enron scandal is an increased focused on share price; second important factor is the deregulation that occurred in the past two decades and the legal liability of accounting firms and investment banks was reduced, and third factor and most significant are simultaneous changes in the compensation structures for executives, accountants, and investment bankers. However, these factors, I believe were brought by the culture that leaders had cultivated and were influenced by the shadows they have casted as what the bible says “ a man reaps what he sow” (Galatians 6: 7, NIV).

Every person’s behaviors and actions will have consequences and the effects are not necessarily obvious, such as when Enron executive’s slowly casted shadows of power, privilege, mismanaged information, inconsistency, misplaced and broken loyalties, and irresponsibility. In Enron, these were demonstrated by human failures of greed and corruption, dishonesty and intolerance, and pride and arrogance. Factors Greed and Corruption Enron’s “ smart guys” misled their employees by telling them to buy stocks of the company.

They walked away with billions while investors and employees lost everything. According to Johnson (2012) in the process of reaching the financial goals, the few often benefit at the expense of many, casting the shadow of privilege”. This is exactly what the “ smart guys” did. In the documentary video, one of their biggest frauds was in California with the Energy Company, the blackout in the summer. They manipulated the prices of energy in California; Enron bought in California the energy cheap and exported it to others states, where they sell the energy at a higher price.

Similarly, in an interview by Lucas & Koerwer (2004) Watkins, a former Vice President for Corporate Development of Enron, stated that Enron was promoting traders to management quite often, letting the traders manage junior traders resulting for a disastrous manipulation of the California energy market in 1999 and 2000. They bankrupt their primary customer, Pacific Gas and Electric for their own interest by taking advantage of the flaws in the deregulation process. On another situation, Watkins stated that although Ken Lay established respect, integrity, communication, and excellence as a core values for the company, they were not followed.

Communication can only be about good news and not bad and people who delivered the bad news got moved out or fired. On the integrity issue, employees were directed to use his sister’s travel agency. In addition, Ken Lay excessively used the corporate jet for personal purposes. Here, Ken Lay had casted the shadow of power. According to Johnson (2012) the greater a leader’s power, the greater the potential abuse and that “ power corrupts, and absolute power corrupts absolutely”. Dishonesty and Intolerance Johnson (2012) stated that leaders cast shadows not only to protect themselves but also they mismanaged the information and lied about it.

Ken Lay lied to employees that Enron is financially strong when it is not. He also denied having knowledge of accounting fraud and other unethical practices like “ failure to fulfill fiduciary duty because of a serious conflict of interests” (Boatright, 2003). Here, Ken Lay also had casted shadow of misplaced and broken loyalties. Decisions were made without considering their duties to their stakeholders especially the employees. In an interview by Lucas & Koerwer (2004), Watkins stated Enron’s most notorious accounting fraud relates to the income statement manipulation (loss avoidance) that occurred via the use of the “ Raptor” structures.

Watkins added that, in early 2000, McMahon went to Jeff Skilling and said that the conflict of interest between Enron and Andy Fastow’s LJM fund was getting out of hand. Skilling ended up moving McMahon to a different department. Because of this people in accounting stopped protesting.. In the documentary video, Bethany McLean stated that Enron’s Financial Statements does not makes sense; “ the company was producing little cash flow, and debt is rising”. Fraud was present.

“ The company’s lack of accuracy in reporting its financial affairs, followed by financial restatements disclosing billions of dollars of omitted liabilities and losses, contributed to its downfall”(Effects of Enron, 2005). This is dishonesty at its best in accounting world. Lucas and Koerwer (2004) wrote, “ every single thing that Enron did had shades of dirty play associated with it”. Ken Lay would say, “ I always try to hire the best people for the job, and then give them plenty of room to maneuver. ” Watkins thought “ Don’t tell me how you make it happen, just make it happen. ” It was all about winning at all costs.

As an example, Enron’s CFO, Andy Fastow was able to get away with such destructive off-balance-sheet debt deals by playing deals with the bankers”. It is somewhat extortion in the banking world. Watkins was hoping that a “ crisis management team would be formed to address the issues… that could have resulted in coming up with the right plans, shoring up cash, and presenting a plan to Enron’s creditors that might have prevented bankruptcy” (Nance & Koerwer, 2004). By not making reasonable efforts to prevent misdeeds and ignore ethical problems, Enron’s leadership casted the shadow of irresponsibility.

“ The attitudes and motives behind the events and decisions causing eventual downfall seem simple enough: collective and individual greed created in the atmosphere of corporate arrogance” (Effects of Enron, 2005). Skilling changed the corporate culture of Enron to match the company’s transformed image as a trading business. They hired the best and brightest traders and pampered them with “ corporate perks, including concierge services and a company gym. Skilling rewarded production with merit-based bonuses that had no cap” (The Rise and Fall of Enron, n. d. ).

In an interview by Nance & Koerwer (2004), Watkins stated Enron had a code of ethics that everyone had to sign, and it got updated nearly every year. It grew longer and longer with each revision, and at the end, it contained explicit rules against making inflammatory statements about Enron’s executives ensuring employees to be quiet. Watkins continued that CEO supposed to put their organization and the organization’s value systems above their feelings. It is hard to implement a system one of your good performers does something stupid. However, when you dismiss that person, everyone else gets the message – the value system comes first.

Not in Enron; they keep the one who did follow their way – “ My way or highway” – value system did not come ahead of the profit. “ If Ken Lay was a greater man and a greater leader, he could have stepped up to this dilemma”(Nance & Koerwer, 2004). It is pride that overpowered the decision not to do the right thing. Besides he is one of the popular and the smartest guy of Enron. Further in the interview by Nance & Koerwer (2004) Watkins stated that “ if your own personal value system is not validated or if you are uncomfortable when your value system gets violated, leave that organization.

Trouble will hit at some point”. Should we or should we not and be a whistle-blower? Watkins provided the 3 M test where you judge an activity three ways that will make ethics real: “(1) Manager – Would you feel comfortable discussing the activity or transaction with the manager you most admire and respect? If it does not pass that test, then do not do it; (2) Media – If you don’t want this disclosed on the front page of The Wall Street Journal [media], then do not do it; and (3) Mother – If you do not want your mother to know about it, then do not do it” (Nance & Koerwer, 2004).

Personal Code of Ethics As a financial administrator, and as possible future leader, my personal code of ethics is one that embraces behavior in the areas of relationship, honesty and integrity, work ethics, transparency and disclosure of information, and fairness. I will use this personal code of ethics as my guide to professional and personal decision making and doing the right thing when faced with ethical challenges. It is my responsibility to:

1. Conduct in a professional manner at all times. 2. Avoid conflicts of interest and refrain from engaging in activity that might discredit others. 3. Practice and maintain good moral character at all times. 4. Keep information confidential except when disclosure is authorized or legally mandated and refrain from using information for unethical or illegal advantage. 5. Be fair and open. Conduct in a professional manner and treat others well at all times. Focusing on the outcome of actions I made in and out of workplace encourages me to think and weigh the decisions and choices I make with the ultimate goal of benefiting the majority not only the few but including myself.

With this in mind, I will be able to respect diversity, obey rules and regulations, and avoid harassment and discrimination. Every individual is different and believes in their own values that were taught to as they were growing up. Realizing this gives me a better understanding that a person thinks differently, and I must adjust and be flexible. My personal code of ethics started as I was growing up, my parents were my foundation, they taught me to be honest, to trust them, to respect them and others, to treat others how I would want to be treated, to except people as they are, and to be the best person I can be.

With this, I will be able to create and maintain a good relationship with others. Avoid Conflicts of Interest and Refrain from Engaging In Activity That Might Discredit Others Ephesians 4: 25 calls upon us to speak the truth. I believe being truthful in everything I do and say will allow greater trust between me and others and will possibly hold me in a higher regard. It is always proven and tested that if you are honest and truthful, you always gain trust.

Similarly, on a legal perspective, integrity implies truthfulness and “ imposes an obligation on all accountants to be straightforward and honest in profession” (Code of Ethics for professional Accountants, 2005). All accounting reports must be true and correct to establish integrity in everything I do at work. According to the Code of Ethics for professional Accountants (2005) I should evaluate the significance of any threats and should include consideration of whether I have an interest or relationship with the client before accepting or continuing a client relationship or specific engagement.

Following this code will help me avoid legal consequences to happen. On the other hand, I should not intentionally harm anyone, or steal from anyone, I should never set out to do wrong by anyone, I should always believe in the good in people without compromising myself and my values, and I will try to remain unbiased towards everyone come in contact with. Practice and Maintain Good Moral Character At All Times “ Romans 12: 2 warns us about the danger of allowing the world to shape us into its mold” (IWU CAP lesson plan, 2012).

What I depict at work is who I am and what I do; therefore I am responsible and accountable for what I say, do or decide to do. Practicing ethical behavior in and out of workplace at all time can encourage others to resist unethical pressures. On the other hand, I consider the consequence of my actions before I perform the act and do what is best for everyone, not just what is best for me. In addition, as I was growing up, I am always told to follow the golden rule. I will be honest, listen to what is said, respond to every question, and help my friends and family to the best of my ability.

I will be a friend and help when I am able. I will not judge people; I will treat everyone fairly and equally. I will not be prejudice towards anyone because of any differences they may have, be it cultural, gender, beliefs, religion, social status, or opinions. With this, I would be able to establish and maintain good ethics in and out of workplace and avoid violations of any rules and laws. Keep Information Confidential Except When Disclosure Is Authorized or Legally Mandated and Refrain from Using Information for Unethical or Illegal Advantage.