

# The organisational culture at enron corporation commerce essay



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This paper analyses the Enron organisation culture and the key issues that eventually led to the “ Enron Corporate debacle” and why it is so vital that top level management is the main proponent of this culture shaping lower level employees’ behaviour of moral reasoning. Moreover, as there is a need to understand how the different types of cultures may effortlessly help business to perform, this essay will identify the type of Enron’s corporate culture through applying the assessment instruments developed by Cameron and Quinn (1998).

In today’s business environment the culture has huge impact on organization’s performance. It is widely recognized by the managers, that the adoption of organisational culture as an effective control tool, gives the opportunity to affect on what people think, believe and value (Ray, 1986).

It is commonly known that different organisations have typical cultures. The culture of a group can be defined as:” A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” ( Schein, 1993: pp373-374).

Organisations develop their own culture through history and structure that gives a sense of identity. Therefore, every culture possesses its own traditions, knowledge, art, moral issues, law, customs, and any other capabilities and habits acquired by individual as a member of society (Tylor, 1970). It ascertains, through the beliefs, values and norms the way “ how things are done around here” (Mullins, 2002: p802). Organization theory scholars distinguish that organizational cultures associate to the concept of <https://assignbuster.com/the-organisational-culture-at-enron-corporation-commerce-essay/>

an organization. However, Huczynski & Buchanan (2001: p627) argue that the facade symptom of culture “ are its most visible and most accessible forms, which are the visible and audible behaviour patterns and objects”. In the case of Enron, the analysis for the company’s downfall moved well beyond financial and economic debate as the corporate culture was shown to be a main reason and contributing issue (Rapoport & Dharan, 2004). The society got a shockwave when it came to that Enron was seen to be an example of corporate citizenship and ethics previous to its fall down (Sims & Brinkmann, 2003) while in reality the company was cheering a culture for back-biting management possessed with exhibiting short-term profits and inflating the company’s stock value. Sims and Brinkmann (2003) point out that this difference between the culture shown to the public and investors and the values being enacted within the organisation is an example of the conflict that can be found between levels of culture within an organisation as suggested by Schein (1985). Conducting the further analysis of the Enron’s downfall it is vital to identify the organizational culture that the company could be identified with. Hence, in accordance to Cameron and Quinn (1998) and their developed marking criteria, there are four types of organisational cultures identified which include collaborate (clan), create (adhocracy), control (hierarchy) and compete (market) cultures. After close research and analyse of the types of organisational cultures and relating the criteria to the case study it shows that Enron applied a compete culture, which to some extent, brought the company to downfall. Compete (market) organizations are focused on relationships- in particular, transactions-with suppliers, customers, contractors, legislators, consultants, regulators, etc. Through efficient external dealings they feel that they can best achieve success.

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Compete (market) organizations are concerned about competitiveness and efficiency through accent on partnerships and positioning (Cameron and Quinn, 1998). Enron executives spent more time distressing about reputation and getting ahead than trading with the everyday business processes needed to prolong the company. The top managers believed Enron had to be the best at everything it did. When there existed failures and losses in their business performance, what they did was covering up their losses in order to protect their reputations instead of trying to do something to make it correct. In the case of Enron, the mutual goal of winning that is frequently anxious in compete culture organizations, did not translate past rough business deals and unethical business practices.

In Enron's case, its corporate culture played an important role of its collapse. It was culture of greed and moneymaking - In Enron, greed was good and money was God. There was a little regard for ethics or the law. Such attitudes infused the whole company from the top down to individual workers. Organisational culture supported unethical practises- corruption, cheating, and fake practices were widespread. Many executives and managers knew that the company was following some illegal and unethical practices, but the executives and the board of directors did not know how to make the ethical decisions and corporate ethical culture. Creative accounting and misleading profit reports were a matter of everyday procedure. Denial and reputation management enabled them carry on their unethical and often illegal activities. In addition, if the company makes huge profits in unethical way then individual who joins the organisation would also have to practice unethical things to survive in the company. The management was blinded by

greed and ambition, their decisions became seriously flawed. Thus company fell back and managers had to pay in the form of fines and imprisonment. Thus, disregard to organisational culture and mismanagement in huge proportions and, mainly, greed is among the key factors that brought the Enron “ the most innovative company” to downfall. Enron was looking into the ways of getting bigger, greater and more progressive than the other companies at that time. And it seemed to be really well on the way to that target. However, the analysis of Enron’s organisational structure reveals that top managers of any organisation at all times must be responsible of everything that happens in their company. Hence, the Enron’s top manager (Kenneth Lay) did not have his objectives, right interest and mission in the organisation. But the success of the business depends on the executives’ abilities to leadership, influence on others and how the real interests and goals are followed by. K. Lay’s position as a chairman was just a title for the company and as evidence of that is the action of passing along the responsibilities to the Jeff Skilling. That could be seen as the countdown of the organisational structure breakdown which is related as the key issue to all the businesses.

A wise decision-making abilities and achievement of organisational objectives truly correlates with the company’s organisational structure. In Enron case, people responsible for making such wise and important decisions were obviously those from the top of the management; however they did not really possess any of the productive objectives in their minds. The final decision-making was left for the chief financial and chief operating officers whose ability, in the other hand, excluded any sense of any kind of

the responsibility for the consequences could occurred. The basic interest, as it seems from the case study analysis, was the financial profit- money.

Thus, decision-making was easily blinded with the quantity of the business deals made and money seen, without any of the consideration of the future problems of the organisation, such behaviour could cause. According to Reh (2002), “ It is the leader’s job to provide the vision for the group. A good executive must have a dream and the ability to get the company to support that dream. But it is not enough to merely have the dream. The leader must also provide the framework by which the people in that organization can help achieve the dream. This is called company culture” (p. 1). “ Generally, corporate culture refers to the prevailing implicit values, attitudes and ways of doing things in a company. It often reflects the personality, philosophy and the ethnic-cultural background of the founder or the leader. Corporate culture dictates how the company is run and how people are promoted” (Wong, 2005, p. 185).

The leadership of the Enron could not cope with providing the guidance to help the business to survive. Hence, that is the clear evidence that Jeff Skilling proclaimed the Enron’s corporate culture- the culture of greed, corruption and deception. He wanted profits at all cost, in addition the hiring practices became obsessed with finding aggressive, greedy, unethical employees who could deliver on the organisation’s demand for short term profits. There is a direct connection between the way a business and its people conduct themselves and the leadership within it. There was no respect or responsible decision-making in the Enron. The management of the organization was totally broken down by the company’s executives, who <https://assignbuster.com/the-organisational-culture-at-enron-corporation-commerce-essay/>

displaced their responsibilities to unprofessional staff and there was no rigorous standard of the performance for their business. “ The senior management failed to maintain a relationship of openness and trust with employees. Staff members who questioned the wisdom of some of Enron’s decisions and practices were either ignored or silenced. Senior management cared more about self-enrichment than the needs of employees. They showed little regard for meaning and ethics beyond the bottom line” (Wong, 2005, p. 185). And when the top managers turned a blind eye on the legal aspects when performing financial operations, the clear message of the tolerance of the illegal practices was sent.

After analysing the case study I suggest that the most important lesson is that corporate culture matters – it can either bring prosperity or disaster to the organization. A company needs to promote an organisational culture with moral way of thinking as Peters & Waterman (1982: p75) points out that “ without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies”. This culture should be top level management as they are key figures, which employees will follow. If executives of a company consider the short term bottom line to be the most important factor to success then lower level employees will soon get the message and acquire the “ game” rules. This environment is exposed to the actions such as intentionally breaking the rules, if results cannot be achieved within the legal framework.

From studying the Enron case it is seen that collapse was brought on by a lack of respect, lack of concern of management and real goals. To point out that the enormous amount of losses of the company destroyed the lives of  
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the Enron's employees and the investors who trusted and heavily invested in the business. After all taking on to account that organisational culture is able to bring an enormous difference and guide the organisation to success and prolong reasonable rewards (Hoecklin, 1995) by possessing effective management (Miroshnik, 2002), the Enron's example demonstrates that when there is unhealthy corporate culture in the company which lacks the true leadership, true interests, true goals, wise decision-making and the main issue is greed for money, then such a business is exposed to become the bankrupt.