Decision Making at Enron

When it comes to Enron's demise, there's plenty of blame to go around. The major cause was executive deception, as well as compliance by Enron's auditors, Arthur Andersen, and various legal staff and outside consultants who "approved" the company's activities. "The Enron case is a dream for academics who conduct research and teach. For those currently or formerly involved with the company, such as creditors, auditors, the SEC, and accounting regulators, it is a nightmare that will continue for a long time." The Enron scandal is widely regarded as the most egregious failure of human resources and employee-management relations in American business history. Enron employees were not allowed to withdraw any stock from their 401Ks or other retirement plans that were vested in Enron stock, even when the stock began to fall. Enron's CEO, Kenneth Lay, and others sold millions of dollars worth of stock. This was impossible for the employees to achieve. Worse, the workers were routinely deceived. "The affable Lay told everyone that if operating earnings were on target, as it appeared they would be, bonuses would be paid," according to the report (Saporito 2002 34) “. The son of a Missouri minister promised that there would be no layoffs and that Enron would rise again at a company meeting that was videotaped. The rank and file, on the other hand, weren't drinking Ken's Kool-Aid this time " (Eisenberg 2002 37). The fact that Enron executives continued to paint rosy pictures of the company even though they knew (or should have known) that it was in serious financial trouble made this a human relations disaster "Officials at Enron actively encouraged employees to purchase Enron stock. Enron employees were further hampered by the company's decision to change plan administrators and freeze all asset transfers. The result was a ruin, to use a strong word.

On NBC Nightly News the week of February 4, Tom Brokaw interviewed Enron employees, as well as an Oregon couple who would now have to sell at least part of their farm, which had been in their family for generations, simply to stay afloat. Their retirement funds had been depleted, as had the funds of many others, some of whom testified in Washington. The cause isn't only the corporation's tricks with its auditors, but also the lies delivered to loyal employees to make them believe they weren't on a Titanic-like sinking ship.

The executive failings at Enron were covered in depth by NEWSWEEK and other general-interest periodicals. According to two NEWSWEEK pieces by Evan Thomas and Daniel McGinn in the February 18, 2002 edition, more than Enron employees and stockholders suffered as a result of the energy giant's collapse (pp. 24-32). The main issue, according to Thomas' piece, was with the company's senior executives, who were greedy in accumulating personal fortunes and deceitful in not informing employees and other interested parties (such as financial institutions and investors) about the company's terrible financial difficulties.

Former CEO Jeff Skilling's explanation to congressional investigators was dismissed by his mother. "Incredulity is a kind way to characterize the reaction of A.Skilling, who claimed during a congressional hearing last week that his company's bookkeeping tricks had caught him off guard." (Thomas 24, a 24-year-old)

"There was the sadness of witnessing those self-proclaimed visionaries of the new millennium—who felt that they could rise above the old rules—dragged into that hoariest of rites, the legislative inquisition," according to the Thomas essay. (Thomas 24) The courts have yet to decide whether Enron's senior executives' acts are either civil or criminal fraud. Friends and family, as well as consultants, lawyers, politicians, and journalists, are undoubtedly beneficiaries of these executives' wealth. These donations, according to Thomas, are comparable to John D. Rockefeller's dimes to destitute youngsters. According to the story, Skilling appointed a woman to the Enron board of directors as secretary for a $600,000 yearly salary.

Chairman of the Board Kenneth Lay (who has since departed), Jeff Skilling, and Andy Fastow are the three main characters. While Fastow's Houston rabbi refers to him as a "mensch," others describe him as "a bit dishonest in a little manner" (Thomas 25) It's hard to believe that Fastow, who appeared to be the driving force behind forming partnerships and transferring assets and liabilities from one company to another, wasn't being closely scrutinized by his supervisors, Lay and Skilling. Either they were aware of what was going on and agreed, or they were too naive and indifferent to notice.