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Enron: The Smartest Guys in the Room

Discussion Questions

**Lay and Skilling**

1. After watching the movie, do you agree that Jeff Skilling and Ken Lay were the “smartest guys in the room” or would it depend on the room?

After watching the movie I believe that Jeff Skilling and Ken Lay were very clever when they were in a room where they had the most confidence. They were the “smartest” when they felt that the people in the room were there to support whatever they had to say. But when it came to critics and being accused of allegations, they were not as talkative and confident in their responses. So I think it depended on the room that they were located to determine whether they were “the smartest guys in the room.”

2. Skilling emphasized in his testimony before Congress that he was only acting in the interests of the shareholders. Do you agree? Why or why not?

I most definitely do not agree that Skilling had the best interests of the shareholders because the whole scandal of Enron’s finances was to benefit him, executives and people that were there to cover up the fact that Enron was failing at what the economy thought they were succeeding in. He probably thought about how his actions would affect the shareholders but despite that, he kept the lie and false perceiving going until he couldn’t control the outcome anymore and kept encouraging them to buy more stock.

3. Are there other people whose interests should Skilling also have been protecting?

Of course I believe that he should have protected the interests of how this scandal would affect his family in the long wrong. Also, all the employees that were saving there years earnings from Enron lost everything whether they knew about the scandal or not. So he should have protected his employees.

4. Ken Lay is said to have “wrapped himself in the cloak of moral rectitude.” Do you know other people who adopt this image? Name an example. In your view, does this kind of behavior merit more or less trust among such people? Why or why not?

I would say that Governor Romney adopts this image of trying be perceived as doing things right in the favor of other people. In most cases these people are manipulative and they are good at saying things to persuade you to do something that they want you to do. In my view, this kind of behavior merits less trust among such people because it is hard to know when they are truly being genuine in what they are saying.

**Deregulation**

5. What message does the movie deliver regarding regulation versus “free markets”? Do you think this message is appropriate?

The message that the movie deliver regarding regulation versus “free markets” is that gas companies wouldn’t be able to survive without Enron and that the people shouldn’t have any control over gas market prices rising or decreasing. I do not think this message is appropriate because the people are citizens that should have a right to voice their opinion on overpriced necessities that help them to survive. Furthermore, Enron regulating gas prices only benefited them at the expense of the citizen’s struggle so they would have been doing better without Enron.

**Enron’s culture**

6. One of the people interviewed in the movie states that there existed a “high school mythology” at Enron. What did she mean by that? Was that good or bad for Enron and its stakeholders?

The traders of Enron took Lay’s and Skilling’s beliefs and took it to another level of deceit. They seemed like the super powerful high school clique that even the principal wouldn’t dare approach. Also someone said that the actions of the people on the company reflected a high school mythology because if you felt that you were the most popular person in Wall Street, you would do whatever you could to keep that status.

7. According to the movie, Enron emphasized a “rank and yank” model of employee evaluation. Explain the model and discuss whether this is a reasonable approach for a successful organization.

The “rank and yank” model of employee evaluation was when the performance review committee would grade employees on a scale from 1 to 5 based on your success of the company thus far and if you fit the objectives of your department. Employees would be terminated if they didn’t get good enough reviews. It was reflecting the “survival of the fittest” according to Jeff Skilling. I don’t think this is a reasonable approach for a success organization because I believe too many people were fired a year and were not given a chance to grow within the company before having the future of their income in the palm of one groups hands. Also it was said that this method often was a failure and not good for a company.

**Accounting**

8. According to the movie, what was Jeff Skilling’s rationale for the use of the company’s unique application of mark to market accounting? Was Enron’s application of the mark-to-market method appropriate? How did the earnings reported under this approach compare to the company’s cash flows?

Jeff Skilling’s rationale for the use of the company’s unique application of mark to market accounting was that it would make the company millions of dollars in a short period of time by using a hypothetical future accounting and the ability to book profits right away. I believe this application was not appropriate because there were not accurate records of profit to look back on. Earnings were reported before they were received. So if the earnings didn’t come through, there was still hypothetical evidence of profit.

9. How did Enron unethically generate profits from electricity in California?

Enron had control to deregulate electricity in California. They had the ability to turn off electricity at any time that they pleased and to raise the prices of electricity for residents no matter how it affected the citizens. They unethically generated profit because they would bet on if California would have a blackout, knowing that they had control over the electricity.

10. After watching the movie, whose behavior was the worst – Ken Lay, Jeff Skilling, or Andy Fastow? Who received the harshest punishment?

After watching the movie, I believe that Ken Lay and Jeff Skilling had the worst behavior because they worked together to lead people on to believe that their company should be valued. Any Fastow was brought in to cover up the scandal. He just wanted to please the boss but he also took money from transactions to set aside for himself which was obviously unethical. But Lay and Skilling were the master minds behind it all. When accused of the scandal, Andy confessed to the allegations. Lay and Skilling kept the lies going when people knew that they were being dishonest.

11. How did Enron’s executives use Arthur Andersen, Vinson and Elkins, and Wall Street as a defense for their actions? Note that, of these organizations, only Arthur Andersen was put out of business in the post-Enron period. Why was the accounting firm held to an apparently higher standard? Is this appropriate? Why or why not?

Enron’s Executives claimed that they had no knowledge of what was going on and they put the blame on anybody else but them self. Arthur Andersen was just the one who didn’t have anyone to push his actions or claimed ignorance upon. The accounting firm was held to a higher standard because people thought that since the accountants were supposed to be highly skilled at dealing with financial endeavors, that they would caught on to the scandalous activities early. This I appropriate because obviously they were not doing their job. They were trying to make personal profit for their benefit.

12. At Enron's top levels, executives knew of their wrongdoing, but everyone passed the buck. Other than changing business laws, how can we influence the "bottom line" mentality of corporations that puts fast profits ahead of ethics and basic honesty?

We can influence the mentality of corporations that puts fast profits ahead of ethics and basic honesty by reminding them that most of them are not only living for themselves but they have families to think of. They should consider the long term consequences and do the right thing now rather than later when the problem is out of control.

13. Among the overabundance of villains and people who looked the other way are a few heroes: Sherron Watkins, the Enron vice president and whistle-blower who repeatedly tried to steer her company in the right direction; an Enron trader who lost his job when he questioned the company's numbers; and McLean, the Fortune magazine reporter who first scrutinized the company for the general public. Does this give you hope that a handful of people can make a difference? What tools or policies can ensure that more employees speak out against work violations?

I believe that a hand full of people can attempt to make a difference but when a group of people are basing their actions on control and greed then those people will have to learn the hard way and face the consequences of their unethical actions. Tools and policies that can ensure that more employees speak out against work violations could be undercover employees that spy on other official employees to make sure rules aren’t being violated. More benefits can be given to honest employees that get their records of work evaluated by appointed supervisors.

14. Why didn’t Arthur Andersen provide adequate assurance?

Arthur Andersen didn’t provide adequate assurance because he didn’t want the truth to come to light because of him. He was a part of the company’s cover up by shredding documents of Enron’s records that would have been evidence to their wrongdoing.

15. Is this a movie about one bad apple and its egregious practices? Or is Enron an example of corporate culture at large?

I believe this movie is about one or more bad apples influencing their unethically practices and encouraging others to believe in their practices while motivating them with money. Enron could also be an example of corporate culture at large because this scandal can happen in any other company. Enron was just the company that took the scandal too far. Other companies might have participated in such activities but maybe not to this extinct.