

Enron

Failing the truth

Little remains to be said about the rise and scandalous fall of Texan energy giant Enron. In the relatively short space of 15 years, Enron rose from nowhere to become the seventh largest company in the United States, and the most well-known energy supplier in the world. It boasted over 21,000 employees and had a presence in more than 40 countries.

As well as generating energy, the firm also generated a rather healthy brand identity. It won *Fortune* magazine's award for 'Most Innovative Company in America' six years running, and was also high in the rankings for the same magazine's 'Best Companies to Work For' chart. The company projected an image of being a good corporate citizen and published a social and environmental report which looked at the moves it was taking with regard to the environmental consequences of its business, its employee relations and (most ironically) its anti-corruption and bribery policies.

Over the years, Enron depicted itself as a highly profitable, growing company. Of course, in 2001–02 this turned out to be a lie – one of the biggest in corporate history. The company's profit statements were proved to be untrue, and it emerged that massive debts had been hidden so that they weren't evident in the company's accounts. Enron's accountancy firm, Arthur Andersen, was involved in the shredding of documents relating to Enron's accounts, which meant the impact of the scandal was going to be catastrophic for that firm's reputation as well. As the depth of the deception unfolded, investors and creditors retreated, forcing the firm into Chapter 11 bankruptcy in December 2001. When such facts came to light, Enron executives made matters worse by refusing to testify and arguing that they had no chance of a fair trial.

The Enron scandal also had political implications, because of the firm's close links with the White House. Enron ploughed millions of dollars into George Bush's 2000 election campaign. Although Bush was a personal friend of Enron CEO Kenneth Lay, he was quick to distance himself from any direct involvement with the firm. The long-term effects of the scandal will be felt for years to come, and the Enron name is already beyond repair and forever likely to be synonymous with 'corporate irresponsibility.'

Lessons from Enron

Don't lie. The whole company image portrayed by Enron proved to be a complete fraud. And as soon as one lie emerged, it didn't take too long before the rest were unravelled.

Be legal. A rather obvious lesson, but one which is still being broken at every level of the corporate community.

Be open. Enron managed to make a terrible situation even worse by refusing to acknowledge any wrongdoing after the facts emerged.