

Enron Case – Teaching Note

Synopsis

Enron was a multibillion-dollar energy company who, through dishonest accounting practices, was able to hide their losses till the point where their next major merger fell through. They did this with shell companies that they would off load their losses to, to make their own financials look pristine. At the point of the failed merger, they filed for bankruptcy as their liabilities were too much for them to stay afloat. This resulted in tens of thousands of people to lose millions, both in pensions and shares of the company they could not sell.

There were no good outcomes to the Enron saga; millions of investors lost billions of dollars, the employees wound up unemployed with their life savings wiped out, many of the executives spent years in jail, and two major corporate entities wound up bankrupted. But the conclusions to be learned are quite simple: in the absence of truthful, good faith communication, it doesn't matter how good you engineer yourself to look. If you lie, cheat, falsify, you will wind up losing everything in the end.

Target Audience

The primary audience for this case study will be communication students taking their introductions to professional communication (CMNS 1140). These students will most likely be in their first or second year of studies at KPU. The students will likely have some base-knowledge of professional communications, such as emails, memos, and reports from their previous English education backgrounds or from their workplaces. Because this course is required for most business and accounting students, will have a foundation of business and accounting reporting standards which include ethical responsibilities to the public

Teaching Objective

After discussing the case, students will be able to:

- Explain their views on ethical dilemmas regarding communication within a workplace
- Demonstrate critical thinking on communication problems within a professional environment and evaluate potential solutions
- Analyze and apply formal writing techniques that would be used to communicate laying off employees

Case Analyses and Teaching Plan

Preliminary Questions

Before beginning the case study, prepare the students with questions about their pre-existing knowledge of the Enron Corporation.

1. Survey the class about any previous case studies regarding the Enron Corporation
2. Ask the class if they have experienced cases of falsified reporting or misleading information in which employers or other peers have taken advantage of them

Questions to Open the Discussion

- 1) Is it alright to exaggerate anything when submitting official documents? Be it a resume, timesheet, or something else.
- 2) Back when all of this happened, the incentivization for people who came forward with information (whistleblowers) was almost non-existent. Should there be incentives beyond the social recognition of “doing the right thing” for whistleblowers?
- 3) If you are a manager, is it ever right to bend the truth so that you and those under you can keep your jobs or tell the truth and possibly lose them?

Debriefing Questions

- 1) What are the steps that managers can take to reduce the amount of negative feedback when delivering a negative message?
- 2) What can employees do in a situation of layoffs and pay cuts in communicating their feedback?
- 3) What Enron did was awful, but other companies are doing similar tactics as well. What should be done to mitigate repetition of history?

Additional Readings

Benston, G., Bromwich, M., & Litan, R. E. (2003). *Following the money : The Enron failure and the state of corporate disclosure*. Retrieved from <https://ebookcentral.proquest.com>

Healy, Paul and Krishna Palepu (2003). *The Fall of Enron*, Journal of Economic Perspectives, Vol. 17, No. 2. Retrieved from <http://www-personal.umich.edu/~kathrynd/JEP.FallofEnron.pdf>

Thomas, C. William (2002). *The Rise and Fall of Enron*, Journal of Accountancy. Retrieved from <https://www.journalofaccountancy.com/issues/2002/apr/theriseandfallofenron.html>