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?

I believe Ken Lay and Jeff Skilling were the smartest guys in the room. The idea of inflating the price of stock and manipulating their income by using potential profits, shutting down power plants and next generation ideas (on-demand with blockbuster) was smart. It actually did increase the revenues of Enron. I think their failure was not reinvesting the revenues into the ideas they actually had to make them come true. I think their failure to reinvest their profits led to the demise of Enron.

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 disagree. Skilling was acting on the interest of himself and those in top management at Enron. They raised the price of the stock and cashed out leaving them with the profits and the Enron shareholders were left without anything. As the stock was falling many of the people in top management left Enron with gains in income.

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

I think Skilling should have protected the interest of the people that Enron serviced (their employees, their consumers, the state of California). They should have been more concerned with providing a better product and service than trying to artificially inflate their stock price.
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?

My pastors, deacons or some of my role models growing up all adopted this image. This behavior creates more trust as long as your actions back it up or at least appear to back it up. It’s definitely a way for people to feel close to you, trust you or relate to you.

**Deregulation**

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

The message that free markets invite corruption and that regulation is the best way to go to prevent corruption. I think free markets are the best way to grow companies and increase the value of the stock. I also do not believe that free markets create a vehicle for dishonesty in the corporation but rather the people in the corporation can create a culture of dishonesty.

**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? Everyone wants to be the most popular guy in the room. It was good because it helped to increase the stock price. However, the plan failed because the company was controlled by the stock traders “the inmates were running the asylum.” The stock traders did not have any regard for top management or stock holders.
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” was where they ranked their employees into categories of production. There was the top 10 percent, the middle 70 percent and the remaining bottom 20 percent. Every employee in the bottom 20 percent was fired. I think this approach is reasonable for top corporations to keep fresh and innovative ideas. General Electric (GE) employs this same model. Also, if GE produces a product that is not in the top 2 of its category; then they will discontinue that product.

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? Mark-to-market accounting allowed Enron to post future profits the day the bill was signed. It also allowed Enron to make their profits whatever they wanted them to be. The method was appropriate to increase profits, but Enron did not reinvest the profits which led to their demise.
9. **How did Enron unethically generate profits from electricity in California?**

Enron created a false power shortage to increase the value of electricity. They would call different companies and ask them to cut off their power. This allowed them to take 30 billion dollar from the state of California.

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 video I feel that no particular individuals’ behavior was worse than another’s. Ken Lay should have taken advantage of the opportunity to move forward doing the right thing and refining past corrupt practices. Jeff Skilling of course took advantage of his leadership role and the poor judgment of the company was reflected back on him. Andy Fastow was just as unethical in his contribution to the Enron scandal as they were. All equally played there part. In my opinion, Andy Fastow received the least harsh punishment and Ken Lay received the harshest punishment; because, he died. As a result he has no opportunity to restore his once good name.
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 used Arthur Anderson and the others as well as Wall Street to mask their deception of profitability and fraud. They used mark-to-market accounting in conjunction with masking the debt of the company into varies ‘entities’. It is appropriate that the accounting firms were held to higher standards because the interpretation of the financial documents and different transactions of the company are entrusted to persons in that profession and therefore more scrutiny is appropriate.

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?

“Bottom line” mentality of corporations that put profits above ethics and basic honesty and be combatted by more emphasis on managers and instilling the values of the company and creating a corporate culture and open trusting work environment. Also less pressure on ‘meeting numbers’ could potentially decrease this mentality because employees will not feel as though they have to behave unethically to meet certain expectations.
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?

Yes the few identified heroes in the film do give hope that behaving in an ethical manner and staying true to not only the values of the company, but your personal values as well has its place in the business realm. Some tools or policies that could ensure that more employees speak out against work violation would be reward systems and protection policies. Often times when people do not speak up it is out of fear of losing their job or it not concerning them so both suggestions would help to eliminate this issue.

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

An article titled “Enron: The Good, The Bad, The Lessons” by Zulauf and Grierson found in the International Business and Research Journal suggest that Arthur Andersen could not provide adequate assurance because he was too involved. He helped establish the partnerships that dressed the financial statements and hid behind regulations and loop holes.
15. Is this a movie about one bad apple and its egregious practices? Or is Enron an example of corporate culture at large?

This movie not only Enron, but sheds light on corporate culture at large. As discussed previously, corporations tend to have a “bottom line” mentality. Thinking that way and solely being concerned with stockholders and profit/revenue of the company can only lead to destruction.