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Enron the smartest guys in the room short summary

Edit Jump to: Summaries (4) Synopsis (1) A documentary about the Company Enron, its faulty and corrupt business practices, and how they led to its downfall. — Kenneth Chisholm Enron plunges from the seventh-largest U.S. company into bankruptcy in less than a year in this chronologically told tale. The emphasis is on human drama, from suicide to 20,000 people fired: the personalities of Ken Lay (with falwellestic rectitude), Jeff Skilling (he of great ideas), Lou Pai (gone with $250 million) and Andy Fastow (the prince of darkness) dominate. Along the way, we watched the game from Enron, california's deregulated electricity market, received a free pass from Arthur Andersen (who approves dubious marking accounting to the market), used greed to manipulate banks and brokers (Merrill Lynch fires the analyst who questions Enron's rise), and we hear from both Bush presidents that these great guys are. —<jhailey@hotmail.com> The fortunes of Houston-based Enron Corporation, which has gone from $65 billion in assets to bankrupt in less than a month, are chronicled. The stories usually focus on the people who built what was a house of cards called Enron, knowing that what they were doing was mostly smoke and mirrors, often illegal, and often at the expense of the working class, but still proceeded out of pride, arrogance and/or greed. The film focuses primarily on the top two who were responsible for defining corporate culture for all those under them: President and CEO Kenneth Lay and COO Jeff Skilling. While many of the top executives were able to liquidate most of their company shares before the fall, the general investor and employees, who sank a lot, if not all of their 401s in the company, were the ones that ended up being burned, let alone those, like California users and utilities, who were negatively affected along the way. The film also details others who have been complicit in what is happening at Enron, such as the banks and Enron's auditor, Arthur Andersen, for any multitude of possible reasons, from greed to ignorance, to not wanting to cross the all powerful Enron. While the results for major actors within Enron like Cliff Baxter, Andrew Fastow and Lou L. Pai are well known, Lay and Skilling's legal fates are still in front of the courts at the time of production of this film. — Huggo The story of Enron, the energy company, and its rise and fall inglory. We see its origins in the 1980s, how it was created with energy deregulation in mind, and how it profited from deregulation. In addition, we see how it has taken accounting practices to the extreme, to the point where senior executives are cooking the books. There is also coverage of the practices enron traders, particularly in the California electricity market. In the end, everything has been falling apart, losing every day, law-abiding employees their jobs, savings and </jhailey@hotmail.com> </jhailey@hotmail.com> — Grants The synopsis below can give important points of the plot. Based on the eponymous bestseller of Fortune reporters Bethany McLean and Peter Elkind, a multidimensional study of one of the biggest business scandals in American history. The chronicle looks at one of the biggest corporate disasters in history, in which top executives of the 7th largest U.S. company came out with more than a billion dollars, leaving investors and employees with nothing. The film features privileged accounts and rare corporate audio and video tapes that reveal colossal personal excesses of enron's hierarchy and the total moral vacuum that was undergoing corporate philosophy. The human drama that unfolds within the walls of Enron resembles a Greek tragedy and produces a domino effect that could shape the face of our economy and ethical code for years to come. The Smartest Guys in the Room tells the story of Enron from start to finish. Putatively, it began with good intentions and a believable vision. So, as he focused on short-term stock prices, he became corrupted by misleading accounting, making more notorious bets. Ken Lay sees an opportunity Ken Lay, founder and CEO of Enron, believed in efficient markets. The energy crisis of the 1970s caused natural gas to deregulate. Lay saw an opportunity to profit from this deregulation. Lay served in various roles in gas companies before heading the Houston Natural Gas (HNG) in 1984. His vision was to control a large fraction of the pipeline that would allow for better trading leverage. Omaha's largest company, InterNorth, in danger of being taken over by corporate invaders, wanted to defensively increase its size and debt load. He acquired HNG in 1985, with terms very favorable to HNG. Ultimately, Lay gained control of the board and became CEO of the company, renaming it Enron. Things didn't work out as well as Lay expected. Some gas in the market depressed prices and put Enron's long-term gas contracts underwater. The management of the combined entity was tough, full of politics. As a public company, Enron was desperate for real earnings. It turns out that, for all his enthusiasm, Lay had no personal strategic insights into how to create a new business model in this new deregulated world. Enron builds a future market in this strategic vacuum, a consultant had an answer. In 1987, Jeff Skilling, a McKinsey consultant who worked with Enron, envisioned Enron building a future market, turning natural gas into a commodity (then a new concept). Simply put, Enron would be the mediator between gas producers and gas buyers, with Enron gaining the spread. Enron was able to lend gas producers more money than banks because it knew the gas compensation. Thus, the producers signed contracts to supply gas to Enron in exchange for initial money to develop reserves. Enron Enron then negotiate futures contracts as well as oil futures. Enron's physical assets, the ability to actually supply gas, and its history and reputation gave it an advantage over Wall St competitors who later entered the industry. Gas securitization has raised capital and balance sheets as restrictions on growth. The sale of its loans allowed Enron to eliminate debt from balance sheets and get the money to grow even more. This later became Enron Capital and Trade Resources (ECT) and in 1996 made $280 million in EBIT, more than 20% of Enron's earnings. Enron International The Arm of Enron International started in Teesside, UK, with a natural gas cogeneration plant built in 1991. This plan provided electricity and heat to the local area. This was a successful project, leading energy companies to seek similar agreements in developing economies. Rebecca Mark headed Enron International. Fueled by a compensation scheme that rewarded closing deals and not actually building the business, Rebecca Mark globetrotted and closed deals in dozens of countries. She positioned Enron as the solver for the insoluble problem. She was hungry to come up with bigger and better projects than Teesside. Projects were often problematic. The biggest scandal was in Dabhol, India. One province has made a very favorable deal with Enron, ensuring a long-term purchase of highly priced energy. The Indian population revolted, seeing it as a sweeping globalization. This development has stimulated for years. In addition, funding for projects was often unclear. Enron International expected the funding to come from non-Enron sources, but sometimes Enron ended up securing the debt. Enron International fueled Ken Lay's desire to mess with international luminars like Kissinger and heads of state, making it less likely to be examined. In 1996, Enron International accounted for 15% of Enron's earnings. Rich Kinder Leadership Changes In 1996, Enron's COO Rich Kinder was awaiting the CEO position. At that time, Ken Lay was expected to enter politics, but he knew he would not get a political nomination under Democrat Clinton. Lay also did not respect the work Kinder did. So Lay fired Kinder, who founded the energy company Kinder Morgan after (still a healthy company today worth about $45 billion as of now this writing). Kinder was a voice of reason within Enron, expecting discipline and skeptical of bad business. After enron's collapse, some suspected that Enron might have saved itself if he had been appointed CEO. Jeff Skilling's RIse With the power vacuum, Skilling (head of Enron's commercial operations) manoeuded to the role of basically threatening to give up if he couldn't. This triggered a number of changes: 1) The focus shifted to trading as the core of Enron's business. Physical assets that actually dealt with the power supply were sold. Sold. (Enron Oil and Gas) was rotated. It still survives today as a public company, EOG Resources. 2) Enron's negotiating scope has expanded outside of natural gas. Its goal was to become the world's leading energy company. They expanded into electricity, and they engaged in business from gas plants to water, steel and paper. The promise was huge - if Enron could create an electricity trading business and claim 20% of it, the payment would be huge. But they swayed, believing that the markets were more similar to gas than they actually were. For example, as a stranger to electricity, Enron was feared as the great player with whom incumbents should not partner. 3) The head of Enron International, Rebecca Mark, was left out and knew she would no longer rise in management. She decided to buy a British water utility, forming the company Azurix. (This would later end in failure, described in a later chapter.) 4) Skilling has created a Risk Assessment and Control (RAC) department, which... 'Enron: The smartest guys in the room' Frauds and financial scandals in the business world were before an Enron case and will be after him. That's human nature. But a chain of events led to a huge shock on Wall Street and went down in history as one of the biggest trade scandals. For a long time, the sequence of events was a basis for articles and books, documentary films and analytical research. The specialties were retold and discussed by analytics. It was a real human tragedy. The film 'Enron: The Smartest Guys In The Room' tries to answer the questions that all the people somehow connected to the business world were interested in: How could this happen? What are the reasons and who is responsible for this? The film tries to lift the veil. From the beginning of the film it is clearly stated that the Enron case is exceptional. Working in a field of energy and power, having an unsinkable ship reputation and demonstrating fascinating financial results, Enron collapsed dramatically almost in a day. But the beginning of this story is brilliant and ambitious. Enron represents a company of great promise. The first few seconds of the film represent an end: John Cliff Baxter committed a suicide, heartbroken by what happened. And it was a conviction for the fraud that happened. After this crucial episode, viewers reach enron's best years. It is the seventh largest corporation in America, valued at $70 billion. It is an innovative business with an absolutely new business model. But how does it start? It begins with Ken Lay, who comes to enron's history of humble roots. Your father is a Baptist pastor and your life is quite poor. Do not use plagiarized fonts. Get your custom essay on the movie's summary The Most Guys from the room just from $13.9/page get custom paper Probably your past plays an integral role in having huge ambitions ambitions make wealth of it. Ken Lay wants to change an energy and energy market. He convinces that the government is not a solution, but a problem for business. In other words, it involves the idea of deregulation. Not only him, but other participants in an energy and energy business share that perspective. A trend towards deregulation begins to develop in 1985 and at this very moment Enron is founded. Kay Lay thinks it would be beneficial for her new company for gas prices to fluctuate with market currents. That's the power of deregulation. An important episode of Enron is a contribution to George Bush's presidential campaign, which lately helps secure money on government subsidies and promote Ken Lay with the idea of deregulation. Trading in the oil market considers it a very risky business. But Enron always wins. Even so, an unlikely success raises questions about the legality of Enron's business. Illegal lawsuits begin with Enron President Louis Borget, who takes about $3 billion of corporate funds into his personal account with the help of a Mastroeni treasurer and his fake books. When the rumors become too strong, Mastroeni publishes real books and it is clear that all enron reserves are thrown away. This tremendous news is hidden by the bluff of the market and that's how Enron stays alike. But a little later Enron is forced to divulge information about these manipulations and all the blame is focused on Mastreoni and Borget. Mastreoni receives a suspended sentence, Borget spends 1 year in prison. So who's going to make money now? The second period in Enron's history is linked to Skilling, who is a person with the greatest ideas of all. He's a great visionary like a Ken Lay. It is he who comes up with a new idea: to make energy a financial instrument such as stocks and bonds. And it's like an explosion in the industry. Enron becomes an industry genius. All employees are proud to work at Enron. It is noteworthy that it is a time when the SEC approved the implementation of an accounting approach to marking the market, which allows estimating company assets at a market price and not by a real one. It also allows you to reserve potential profit, as it is already earned before the money reaches Enron. This is the first almost unobservable alarm for a room of unethical actions and fraud. If to talk about work environment, it is clearly seen that Skilling is an unrestricted leader. The interesting fact of his power is that when he stop wearing glasses, everyone in the company does the same. But the cultivated crop is aggressive and harsh, as in a wild nature with the basic survival instincts of the fittest. Skilling is convinced that money is the only thing that motivates people. He wants the employees show great results, big profit. Therefore, traders are encouraged to play. Making money no no what methods are used. Skilling also implements an employee evaluation system and all employees who do not meet the demand of Skilling's vision are fired. As a result of this system, the turnover rate is 15% which is really impressive negatively. Skiling's view of people is based on the theory of People with thorns. Only extraordinary and exceptional people deserve your attention and respect. The list of people is composed of Ken Rice, who is a salesman for Enron; John Cliff Baxter who is very talented but prone to depression (as movie viewers know, this will be a fatal point in his future). The list continued with Lou Pai – a key lieutenant, working in one of Enron's business units – Enron Energy Services (EES). His activity is involved in a mystery; employees even call him an invisible CEO. Lou Pai is highly motivated by money. When he loses interest in his job at Enron, put it another way, when he makes a marginal profit, he leaves or rather to say he runs away from Enron with $250 million and becomes Colorado's second-largest landowner. Enron's next step is connected with its actions being significantly increased day after day. Everyone wants to play in the market because prices go up and up; there's an illusion that it's never going to end. The title this time is A new day a new record. By all means, these records have a direct impact on Enron's profit, which gets bigger and bigger. But how do they get those numbers? It's a questionable question. In the books everything goes perfect, but in reality it was just the opposite. Right now, Enron invests in India which is irrationally risky. And they fail because India couldn't afford the power enron offers. As they say in the end failure was not an option. Thus, Enron hides nsuccessful results in India, continuing to show brilliant artificial results. Later, a merger with the electric company makes it possible for Enron to enter a new california deregulated market. The company shows unrealistic results: the stock price rose 34% in 2 days. Analysts have been blinded to the dubious information that has already occurred. It's not an unfortunate occurrence, but it won't be released until later. Enron diversifies its activities; in particular, it covers a new broadband market. But it doesn't work. It is a market marking accounting that helps Enron reserve revenue as it wishes to be. In fact, there are no recipes. And this is the moment when Enron executives begin to understand a certainty of collapse; they start selling their shares. In other words, they leave a ship sinking. The end is coming. In 2001, dotcom companies are struggling, while Enron is a shining star of a American. It is named as fortune magazine's most admired corporation. But Enron is a black box. Nobody Nobody how exactly money is made. Suspected falsification of financial statements begin to occur. The next key figure in enron's case is Andy Fostow, who is a financial agent. He is motivated by a future career. He tries to please Skilling and therefore he hides debts in artificial companies and deals with finances so that stock prices keep rising. In addition, he encourages 96 individual banks to put their money into LGM (Andy's artificial company) to somehow change Enron's situation. Why don't respectful banks suspect illegality? The analysis assumes they suspect, but agree to give money because Andy Fastow throws in his greed. They're useful. The actions cross the line when Skilling unethically responds to a reporter. It's already possible that Skilling begins to lose his countenance. He doesn't know how to keep stock prices high. Meanwhile, another illegal chance to keep Enron's stock prices occurs. It's called California. Enron produces an energy crisis. Blackouts make moves; as a result, demand for electricity is high and prices as well. Consequently, Enron receives money. These manipulations lead to many domestic problems of california citizens, but nothing changes. During this part, there is a comparison of Enron's activity in California with the Milgram experiment, which is quite remarkable. Both experiments are about how people can be persuaded to do something morally wrong if a person in authority tells them it is their responsibility and he will not be guilty. As in milgram's experiment, Enron continues to manipulate with electricity and things get worse and worse. People understand that nothing is left to accident, they blame Enron on it; Desperate protests occur. At this time George Bush becomes President of the USA and therefore with the old beneficial relations the Enron has an easy access to the administration. As a result, the government does not interfere with Californian difficulties. People stop believing in Enron and their stock begins to fall. At this point Skilling suddenly announces that he resigns from Enron. The employees take it as a betrayal. One of the employees – Sherron Watkins is aware of the fraud that occurs at Enron. She tries to talk to Ken Lay, but he doesn't do anything. Meanwhile, the Securities and Exchange Commission (SEC) begins an investigation and finds that in reality millions of assets are millions of debts. And it's Andy Fostow who's blamed by all Enrons executives for forgeries. It is interesting to note that the same situation was with Borget and Mastreoni in the early 1990s. The end comes in 2001, when Enron declares bankruptcy. The employees feel they're on the whip sinking without lifeboats. They lose everything. Cliff Baxter commits suicide 7 months In tragic specialties, $1.2 billion retirement funds and $2 billion in pension funds disappear in a matter of weeks. 20,000 employees lose their jobs. Ken Lay and Skilling are under an accurate fbi eye. Congressional committees begin legal proceedings. It's the end of the movie Enron: The Smartest Guys in the Room. Enron's tragedy is often compared to the Titanic. And that's not just empty words. In both cases, there have been many warnings of possible danger, but the ships continue to operate at full speed. In both cases there were great opportunities, but then a combination of human error and arrogance led to a fatal collapse. Enron's downfall is a story not only about people, but about the entire system, composed of government, financial and business institutions, conditions and relationships. All participants in fraudulent actions have their share of a pie. That's why this story is called a story of synergistic corruption. I am absolutely fascinated by this film, to be precise, by a scale of greed and addiction to money and power. Understanding that the characters in this film are the real people and all the actions that have been shown have really happened makes me even more fascinated. For me, the Enron case is not an aberration; is a consequence of the way of living. It's a dark shadow of the American dream, as they say in the film. Therefore, it can be repeated. And it could be us who will be affected by manipulations. It really gets in the way of the mind. Remember. This is just a sample. You can get your personalized work from our expert writers get custom paper