

Review of: "Revisiting Enron twenty years later: Eight executive blind spots worth remembering"

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Referee's Report

"Revisiting Enron Twenty Years Later: Eight Executive Blind Spots Worth Remembering"

for

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Having wanted to do a project with this theme, I was more than happy to review this paper. One has to believe that a fiasco with the proportionality and consequence of Enron could not pass into history without leaving some useful wisdom behind. I suspect that we will see more as late as the quarter-century anniversary, making the paper sufficiently timely.

The structure of the paper is straightforward. The authors identify what they believe as the defining characteristics of Enron, and then contrast them with the recommendations that are culled from a set of business book authors. According to this analysis, Enron was doomed by its very dysfunctional culture that went to the very essence of what the company was and how it rose to prominence. This approach creates ample tension regarding fundamental choices in how to manage companies and people.

My first problem with the paper is the journalistic approach taken to Enron. The paper asserts broadly what is believed to have taken place at Enron without much effort to document that such was true. Much of this might be called myth or truthy, merely because we have heard it repeated so often. I would say that the first lesson (not necessary limited to Enron) is to get the facts by refusing to just repeat that which what we have heard that has grown in stature over time.

My second problem with the paper that I cannot shake is its tendency toward "Monday morning quarterbacking." Admittedly, Enron did many things wrong, but it is just too easy to critique everything they did as wrong. The evidence that the broad brush used by the authors is an excessively blunt instrument is all the other companies that did the same things and did not collapse suddenly and dramatically.

My third problem with the paper is more directly aimed at the countervailing wisdom from the mass market business books that are cited so admiringly. The authors offer little evidence that this wisdom actually works. Most of it sounds good, but we should be skeptical about its practicality. We should all have ample reason to question platitudes. A less

ambitious challenge to the wisdom collected by this paper is that almost all of it was published after Enron imploded. Assuming that this wisdom is itself a contribution to right-minded management, its unavailability to Enron management exempts it from being a fair critique of what could have been chosen.

My fourth problem with the paper is its specious logic. The authors play fast and loose with their general Enron observations. For example, I do not think that rule breaking leads to denial. At other points, I am unclear what the point made by the authors might be, beyond a general moral disagreement. For example, what of Enron's opulent displays?

My fifth problem with the paper is its intentional ignorance of accounting. That Enron collapsed because it was a proverbial accounting "house of cards" or "smoke and mirrors" earns no mention in the paper. In the effort to tell us that Enron was a managerial failure, the authors ignore the many systems-wide failure of internal and external corporate governance that were cleverly exploited by Enron.

My sixth problem with the paper pertains to the inherent weaknesses of its back half wherein the authors essentially cherry-pick the mass market advise literature in a way that is very loosely coupled from Enron. This is a long string of negative counter-factuals in which the authors would have us believe that if Enron would have done this or that, the company would not have failed. I cannot support such hypothetical speculation.

Here is a collection of smaller points that I would be reluctant not to have mentioned:

1. Many references are misleading since they are not about Enron at all
2. The paper's title is erroneous since we are now well past the 20-year mark. I also challenge the literal use of "blind spots" to describe purposeful choices.
3. Calling the major points "cultural artifacts" is more than a stretch. Most are not.
4. Enron never created a Star Wars theme nor was this anything like a myth for employee consumption. These were the names for the special purpose entities abusively created by accountants to segregate losses.

In sum, this paper might have worked better as a book. This format would have given the authors more freedom to spin their own version of managerial wisdom. We would want something different in our scholarly articles.