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Commentary

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

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It has now been over twenty years since the downfall of the corporate giant, Enron. Yet, researchers continue to ponder the leadership decisions carried out by its executive leadership. How is it that a company poised to become the new benchmark in global business could seemingly implode overnight? How could the executive leadership model strength without weakness, only to be shrouded by blind spots that ensured their ultimate doom and failure? In response, Enron's downfall was not due to a lack of intelligence or technical acumen. The executive leadership possessed the experience and connections to grow a multi-national organization. The organization had positive inertia and public support. Yet, Enron remains one of the greatest examples of corporate failure and scandal. In this article, I will argue that Enron's downfall was the result of a series of eight negative cultural artifacts sown deeply into the fabric of the organization by its leadership, resulting in internal chaos and almost total corporate communications failure. I will then provide a best-practice research response to each artifact as to how the leadership at Enron could have saved the organization and achieved its global vision. While culture is not everything in an organization, I believe it shapes the heart. If an executive leadership team gets the culture right, ensuring that employees align their actions with the corporate vision, I believe that profit margins will take care of themselves. While Enron's fate is sealed, its mistakes continue to offer leadership wisdom by foresight, rather than hindsight.

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The year 2001 will forever be remembered for the terror that shook New York City. For those who lived through the events of September 11, time stood still during the moments following the implosion of the twin towers. Yet, despite the evil and destruction of that day, the world watched on and beheld a greater event—a mass of people, a veritable light, who ran into the darkness with valor and love to save those who could not save themselves. People in different times and different places, but who mirrored the same spirit of sacrifice as those described by George Washington during that legendary winter at Valley Forge where Washington reminisced: "To see Men without Clothes to cover their nakedness without Blanket to lay on, with Shoes, by which their Marches might be traced by the Blood from their feet is a mark of Patience and obedience which in my opinion can scarce be parallel'd" (Ellis, 2004, p. 112). At the sight of the World Trade Center in 2001 the world may have beheld the cowardice of evil, but the greater memory rests with the eternal vigilance of those who risked their lives out of love of neighbor and freedom. People of true credibility and character, who were willing to set aside their own freedoms to rescue those who would have otherwise lost their own. People worthy of being remembered.

What few people remember from that year is the downfall of a corporate giant caused by the scandalous actions of its own corporate executives. At the height of power, Enron was poised to become a global leader in the oil and gas industry. In less than two decades, the lucrative giant went from being a relatively local organization in Houston, to an entity poised to create a global empire. Yet, while all the external and internal facades gave no indication, Enron had a fatal flaw within the organization. The leadership of Enron had created a core of cultural artifacts that blinded its executives to a business model thriving off hubris, employee burnout, and internal conflict—artifacts that eventually led to executive fraud and the squandering of unnumerable pension funds from honest investors. How is it that the leadership at Enron could not see the madness of their design? How did they come to believe that they could not fail, only to become one of the best examples of failure in the history of corporate America?

In this article, I will revisit the Enron debacle and evaluate eight cultural artifacts that are worthy of remembrance, critique those artifacts, and then offer best-practice leadership research into how each item could have been dealt with differently. While today's corporate executives live in a world very different from that of Enron—Enron was on the cutting edge of a global market while today most organizations navigate a global market—there is much still to be gleaned from their downfall that can offer executive wisdom for building cultural artifacts into an organization that can ensure long-term success and enduring investor and brand equity.

Cultural Artifacts and How the Mighty Can Fall

Each organization has an invisible *essence* that permeates every element of what the leadership of that cooperation ultimately desires it to become. If the vision of an organization is to ultimately succeed, the people within the organization will *embody* those ideas embedded within that vision, whether for good or bad, and those ideas will create those elements of the organization known as *cultural artifacts*. In their book *Organizational Culture and Leadership* Edgar and Peter Schein (2017) define cultural artifacts as:

> phenomena that you would see, hear, and feel when you encounter a new group with an unfamiliar culture. Artifacts include the visible products of the group, such as the architecture of its physical environment; its language; its technology and products; its artistic creations; its style, as embodied in clothing, manners of address, and emotional displays, its myths and stories told about the organization; its published lists of values; and its observable rituals and ceremonies (p. 17).

This article is a plea to corporate leadership to ensure that the cultural artifacts within their organizations are, and remain, healthy, and to inspire leaders to recalibrate and ensure that the actions of their employees align with those artifacts—an alignment that forms the very heart of the organization (Heclo, 2008, p. 102). If these foundational artifacts are malleable and based on best-practice research, there is a very reasonable chance that the organization will grow and succeed. If these artifacts are loose or rigid and steeped in leadership hubris, there is a possibility for immediate success, but a likelihood of long-term failure. Therefore, understanding leadership vision and the effects of what ideas are being spun within the organization requires eternal vigilance and leadership attention. Enron amassed an explosion of growth, but the leadership did not possess the wisdom or character to ensure that its cultural artifacts remained healthy. What can be salvaged from this failure is a host of valuable lessons for contemporary executives, and a fresh reminder that while cultural artifacts are not *everything*, make no mistake about it, their attention and health permeate *every* element of every corporate success story. If you do cultural artifacts well, the results will take care of themselves.

Eight Cultural Artifacts that Contributed to the Downfall of Enron

The first cultural artifact that contributed to the eventual failure of Enron was the assumption that hiring intelligence and youth are enough to ensure corporate success. From the very beginning, it became clear that Ken Lay and Jeff Skilling only wanted to hire a young and bright staff (Swartz and Watkins, 2003, p. 61). To be fair, there is an element to organizational leadership strategy that proves that an organization that maximizes rookie smarts generally will demonstrate innovation and short-term wins. In her book *Rookie Smarts* author Liz Wiseman (2014) notes the difference a rookie can make compared to a more seasoned expert in an organization, "Experts tend to outperform novices in the long game because they can recognize patterns and project into the future, but rookies are particularly well suited to deal with the immediate and the ephemeral" (p. 35). Enron wanted to be known as a cutting-edge company that drove innovation and change. Consequently, this goal led

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them to maximize rookie smarts, providing short-term wins and a hopeful future for the investor market, but this assumption became a major cultural issue for the company to sustain long-term success. However, while Wiseman endorses the power of the rookie mindset, she also warns of its abuse:

> The most dangerous place to be might be at the top—whether it is the top of a ladder or the top of your game. Bill Gates said, "Success is a lousy teacher. It seduces smart people into thinking they can't lose." Business growth adviser Verne Harnish has noted a similar pattern in the entrepreneurial world. In their freshman venture, entrepreneurs know nothing, so they make mistakes and learn. When they win, they win big. This experience kills them the second time around. Confident that they know what needs to be done, they often misread markets and miss important signals. "They make a lot of money in their first venture and they're lucky if they don't blow it all in their second," says Harnish. Experience plus hubris makes for a deadly combination (p. 41).

Enron would have likely avoided its sudden demise had both Lay and Skilling sought to balance youthful intelligence with expert intelligence, and by formulating a strategy of integration across the spectrum of experience as a whole. By synchronizing both expert and rookie employees, an organization will reap not only top-down leadership, but also bottom-up leadership. While expert employees influence the rookie employees with their wisdom and tenure, rookie employees influence-up with their ability to see beyond the status quo.

Furthermore, Enron could have benefited from employing a *Normative-Reeducative Strategy* (Burke, 2018, p. 198). According to this change strategy, change agents who adopt this approach assume that human beings are intelligent and value personal autonomy (traits intuitive to Enron's core culture). When it comes to corporate change this theory assumes that an individual must use personal rationality and intelligence to change normative orientation to old patterns in order to develop a commitment to new ones. Burke notes two primary strategies to help bring this change about. While the first strategy focuses on improving the problem-solving capabilities of a system, the second strategy could have aided in helping Enron with a path forward in how to produce long-term growth and commitment from the employee by fostering *growth* and *development* in those who make up the system to be changed (p. 199). Since Enron placed an artifactual premium on personal autonomy the executive leadership could have benefited from this second strategy by implementing a hybrid of Maslow and Herzberg's *Need Theory* (p. 183). The benefits of the Need Theory are derived from two factors that emerge from Maslow's and Herzberg's work. Whereas Maslow's hierarchy of needs addresses action toward assessing and improving an individual's *motivation* for work, Herzberg's two-factor theory provides a measuring axis where an employee can evaluate maintenance factors that contribute to *job satisfaction* (p. 183). Enron had created a hiring system that did not regard long-term employee satisfaction. The model that Enron adopted was solely interested in short-term results at all costs which naturally led to employee burn-out and minimal commitment.

A second cultural artifact that undermined Enron is an extension of the first—Enron created a *fear-based* work environment to push maximum productivity through a feedback system called the *Performance Review Committee* (PRC). The PRC was a feedback loop designed to create a survival of the fittest environment at Enron where every employee was evaluated on an annual basis with no reference to past successes (Swartz and Watkins, 2003, p. 61). The grading system divided up the staff into performance percentage categories with the top five percent labeled "water walkers", and the bottom fifteen percent being reflective of those whose jobs were in peril for the next year. The PRC was a performance regulator that ensured that ruthless competition would drive performance. Furthermore, while the PRC provided the performance that Lay and Skilling were looking for, it also ensured that no one was safe at Enron (Duckworth, 2016, p. 31). Consequently, it created a *fear-based environment* that could not help but create a culture where individuals would soon learn to shy away from taking responsibility for personal failure.

This kind of cut-throat environment tends to promote what Adam Grant refers to as a *responsibility bias*—the tendency of an individual to exaggerate their own contributions relative to others' inputs (Grant, 2013, p. 81). In a system that maximizes corporate fear, and consequently, leads to unchecked responsibility biases, both elements have the tendency to lead to the breakdown of personal integrity—the fundamental character flaw of Enron's downfall (Bolman and Terrence, 2008, p. 25). Furthermore, it clearly

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illuminates to those outside the PRC, those at the top, that Enron was an autocratic culture (Duhigg, 2016, p. 147). In evaluating Enron's fear culture, again, the PRC system was congruent with Lay and Skilling's assumption that intelligence and youth are the two primary ingredients for success. The PRC was a *power-coercive strategy* designed to instill fear in every employee (Burke, 2018, p. 199). Enron would have benefited from placing a higher premium on individual character and corporate health. While it is a given that an organization needs to compete with other organizations in order to remain successful, this measure cannot supersede the importance of investing in the health of the individuals who represent the company (Wiseman, 2010, p. 12). In his book *The Advantage* author Patrick Lencioni (2012) argues that investing in integrity and organizational health is far more advantageous to long-term success than a continual emphasis on short-term fiscal wins motivated by fear:

> An organization that is healthy will inevitably get smarter over time. That's because people in a healthy organization, beginning with the leaders, learn from one another, identify critical issues, and recover quickly from mistakes. Without politics and confusion getting in their way, they cycle through problems and rally around solutions much faster than their dysfunctional and political rivals do. Moreover, they create environments in which employees do the same.... In contrast, smart organizations don't seem to have any greater chance of getting healthier by virtue of their intelligence. In fact, the reverse may actually be true because leaders who pride themselves on expertise and intelligence often struggle to acknowledge their flaws and learn from peers (p. 9).

If Enron was looking for a scoring system, the PRC was not an efficient mechanism to promote corporate health (McChesney, Covey, and Huling, 2012, p. 155). Enron needed to establish an evaluation mechanism that helped its employees to be motivated, and, that enabled them to feel safe. In such environments, an organization is less likely to fall into the harmful trappings created by *responsibility bias* and the breakdown of individual integrity (Sutton and Rao, 2014, p. 213).

The third artifact that Enron created is further linked to the first two, they had created a culture of *conflict*. People went to Enron to prove themselves. Again, the PRC ensured that it was expected that every individual proves themself worthy of their position on an annual basis. This constant jockeying for position, wealth, and title created an environment of negative conflict. While Bolman and Deal discuss how conflict often takes place between the boundaries between departments and divisions, at Enron, the PRC ensured that conflict was created between one individual to the next. Again, no employee was ever safe within the corporate structure. Enron had smart employees, but they did not have a corporate environment where failure could be seen as an opportunity for growth, and thus, infighting and corporate fractions were unavoidable, even among the executive team (Swartz and Watkins, 2003, p. 205).

While conflict is unavoidable in any organization it does not have to be negative. In his book *Leading Through Conflict* author Mark Gerzon (2006) offers insight into the benefits of having employees who are *present* in their organization. For Gerzon, the idea of presence encapsulates an individual's freedom to perceive what is happening; respond to imminent needs; have the flexibility to shift gears if need be when a current strategy is not working; and have the capacity to invent new approaches, or at least, to admit if a new approach is not yet attainable (p. 100). As such, employees who are empowered to be present without the threat of fear are capable of dealing with conflict positively. In such an environment conflict can be seen as a means of growth (Wiseman, 2010, p. 139). This kind of conflict finds a fresh perspective in Ed Catmul's (2014) work *Creativity Inc* where the production giant Pixar found a way to generate healthy conflict in their braintrust meetings (p. 108).

Conversely, Gerzon describes an *unpresent* employee as an individual who is so arrogant that they are unable to learn anything that contradicts their reality; self-centered to the extent that they cannot serve others; defensive to the point of "killing the messenger" over listening; committed to a personal superiority over the other; and ultimately committed to the inferiority of others to the extent that cannot extend entitled recognition (p. 101). The irony about the unpresent employee is that the descriptors directly reflect the character of both Ken Lay and Jeff Skilling directly, and consequently, a vast majority of the staff hired at Enron. Again, Enron was an environment where conflict created an endless cycle of turnover, blame-shifting, and a lack of responsibility for failure. In her book *Grit* Angela Duckworth (2016) offers her perspective:

> You can't blame the Enron debacle on a surfeit of IQ points. You can't blame it on a lack of grit, either. But Gladwell argues convincingly that demanding Enron employees prove that they were smarter than everyone else inadvertently contributed to a narcissistic culture, with an overrepresentation of employees who were both incredibly smug and driven by deep insecurity to keep showing off. It was a culture that encouraged short-term performance but discouraged long-term learning and growth (p. 30).

Enron was known artifactually as an organization where one entered their ranks with a healthy expectation of conflict. While that type of environment may seem cavalier, the end result was an organization whose recklessness led to millions of pension holders losing their retirement investments because they trusted the Enron system to endure. The conflict-laden environment of Enron led to disunity and eventually corporate implosion. Again, in a healthy environment, employees are enabled and encouraged to model Gerzon's description of being *present*. If the executive encouraged employee presence, it is possible that individuals may have begun to see conflict as a positive measure toward growth that can greater good of the team if approached through humility (Stone and Heen, 2014, p. 81).

A fourth negative artifact at Enron can be seen in its corporate motto that they would "break the rules to win." In 1998, Ken Lay contributed to a book entitled *Straight from the CEO*. In Lay's chapter, he disclosed to the published world that he believed that "rule breakers get to the future first" (Swartz and Watkins, 2003, p. 188). In his book *Built to Last* Jim Collins (2002) draws attention to the tendency of leaders who make public statements to be more likely to live out the content of those statements: "social psychology research strongly indicates that when people publicly espouse a particular point of view, they become much more likely to behave consistent with that point of view" (p. 71). At the heart of this ideology is a leadership mantra that believes that the rules do not apply. Those who were employed by Enron began to believe that their success had made them invincible (corporate hubris). They began to believe that the rules that protected other companies from the disaster were not binding on Enron. Enron became an organization blinded by corporate pride and denial.

In response to this artifact, Jim Collins (2009) offers a helpful evaluation of corporate denial in his book *How the Mighty Fall*. In Collins' research, he found that there is a general pattern in organizations that create a culture of denial. Collins writes that organizations who are on a downward spiral often shield those in power from grim facts out of fear of penalty; assert strong opinions without providing data, evidence, or a solid argument; team leaders often have a very low questions-to-statements ratio; team members acquiesce to decisions, yet do not unify to make the decision successful; employees seek as much credit for themselves without the confidence of peer support; they form habits of arguing for the sake of looking smart, rather than for finding the best answers and support of the overall cause; and those in the organization begin to fail on delivering on promises and seek someone to blame (p. 77). Enron could have benefited from Collins's research in applying characteristics that exemplify organizations that minimize corporate denial. Collins describes such organizations as those which seek to bring forward unpleasant facts; they carefully weigh the data, evidence, logic, and solid arguments; team leaders use a high questions-to-statement ratio, challenging people, and pushing for insight; team members unify around final decisions; credit is given where credit is due (showcase success); team members argue and debate to find the best answers; and the team does not seek to blame others, but rather takes responsibility in delivering exceptional results and learn from mistakes.

The fifth artifact that Enron wanted to create was the myth that they were going to be the company to change the future. This is exemplified in their use of language in adopting a Star Wars theme. Acronyms like JEDI and YODA were used for major corporate branches of the company and emblazoned on corporate merchandise. The Star Wars myth was meant to inspire those who worked at Enron that they were part of a team that was going to take corporate America into the future. Bolman and Deal (2008) discuss the power of myth in an organization:

> Myths, operating at a mystical level, are the story behind the story. They explain, express, legitimize, and maintain solidarity and cohesion. They communicate unconscious wishes and conflicts, mediate contradictions, and offer a narrative anchoring the present in the past. All organizations rely on myths or sagas of varying strength and intensity. Myths transform a place of work into a revered institution and an all-encompassing way of life (p. 254).

Enron's Star Wars myth was their version of fantasy that reflected the undergirding assumption that they were on the cutting-edge team. This myth reinforced other cutting-edge activities meant to do the same, such as corporate paintball outings, motto cross, and extreme skiing. Again, the myth creators at Enron wanted employees to believe that they were living on the edge of something big.

In response, there is nothing wrong with casting a vision through myth for one's company. Myth has the power to move ideas through imagination where normal means of communication cannot. Furthermore, there was nothing unnecessary about Enron's use of Star Wars. There is a great benefit to adding a fun factor into an environment to create a deeper sense of a team. Rather, it was Enron's pride combined with the first four artifacts that made the Enron myth become merely another means of expressing an undergirding and deeply entrenched hubris (Holiday, 2016, p. 76). Enron's myth needed to be based upon a better foundation of corporate artifacts to reinforce a positive outcome.

The sixth artifact that Enron demonstrated was the company's attention to flaunting its financial successes. The physical environment at the Enron campus in Houston was designed to let the world and its employees know that Enron was a success story. Offices were trimmed with the finest touches. Office workstations were made from chrome and black granite. Office walls were decorated with expensive prints. Large open-concept trading floors were fitted with screens from floor to ceiling to make traders feel like they were on the trading floors of Wall Street (Swartz and Watkins, 2003, p. 54). Once again, many organizations brand themselves and their successes with luxury. For example, one of the most successful hotel franchises in American history is the Ritz-Carlton. The Ritz-Carlton is a luxury hotel chain that has obtained world-renowned for its services due to its fine attention to excellence in the hospitality industry. But the Ritz-Carlton did not attain this level of prestige simply by building fancy buildings. The exquisite buildings designed for the Ritz-Carlton franchise are artifacts that exemplify *the feeling* the organization wants to create in its customers—and with that feeling, brand equity (Michelli, 2008, p. 12).

Again, in the same way, that Enron's myth reinforced negative traits in the organization, Enron's physical environment reflected an organization that only cared about the bottom line. The Ritz-Carlton on the other hand places a premium on their employees. This is exemplified in their corporate motto of enabling employees to become "ladies and gentlemen serving ladies and gentlemen." Joseph Michelli (2008) writes:

> across all qualitative and quantitative methods used to assess the engagement levels of their staff, it is clear that respectful and genuine treatment of employees at Ritz-Carlton engenders a trust for leadership that is essential to move their business forward. Unless employees know that they are truly valued, they often don't invest the extra effort needed to exceed customer expectations and arrive at innovative service solutions (p. 105).

Whereas Enron's physical environment may have made the employees feel like they were rockstars on the corporate stage, the inner workings of how employees were treated would have made them feel like a disposable means to a corporate financial end.

Finally, the last two artifacts demonstrated at Enron are reflected in the organization's commitment to technology, and in the desire to be known as a company that could branch out into new ventures and expand the Enron success story. Investors believed that Enron would succeed at whatever they put their hands on. In the mid-nineties, Enron decided that the wave of the future lay in broadband technology. With great innovative expansion, broadband promised large profit margins. Enron believed that it could use its vast financial stores to enter a market that the organization knew nothing about. In early 2000 Jeff Skilling launched the Enron Intelligent Network (EIN), promising investors that EIN's investment potential was a sure bet for long-term returns. While Enron had the fiscal depth to purchase the components and to partner with major players that would have made this claim look possible, the problem was that they entered unknown territory without really knowing if they could be successful. With great fanfare, they sold the idea to the public, secured partnerships with the technology giant SUN, and formed a tentative agreement with the home-movie juggernaut Blockbuster, but they failed at actually being able to put together the infrastructure that was necessary to achieve their new venture. By May of 2001, Enron lost over one hundred million dollars in one quarter. This loss eventually led to their attempt to manipulate the California energy market to regain their losses. The ensuing lawsuits with the state of California would seal Enron's fate in 2002.

In response to the last two artifacts that Enron reflected prior to their downfall, Enron could have benefited

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from Marvin Weisbord's *Six-Box Model* (Burke, 2018, p. 208). For Weisbord, an organization needs to understand itself from both a formal and informal perspective. A formal system is represented by its structure, while an informal system is embedded in the organization's culture. Weisbord then filtered the formal and informal systems through a six-box system that encapsulates an organization's ability to measure the six areas represented in his system: *Purpose*—"What business are we in?"; *Structure*—"How do we divide up the work?"; *Rewards*—"Do all needed tasks have incentives?"; *Helpful Mechanisms*—"Have we adequate coordinating technologies?"; *Relationships*—"How do we manage conflict among people? With technologies?"; and *Leadership*—"Does someone keep the boxes in balance?" After evaluating the formal and informal systems for each of these measures, Weisbord then evaluated corresponding diagnostic questions for each on two levels: 1) How large is the gap between the formal and informal dimensions of the organization, that is, the degree of fit between the individual and the organization? 2) What degree of discrepancy is there between what is and what ought to be, that is, the congruence between the organization and its external environment (p. 209)?

The benefit of Weisbord's model is that it forces an organization to take important steps in walking through the existing structure and culture to ensure that any new ventures are a reasonable fit for the organization. In retrospect, Enron moved on the Enron Intelligence Network to gain a foothold in the broadband market without ensuring that the new venture was feasible. Using Weisbord's model, Enron's *purpose* was in the oil and gas business, not broadband. Their *structure* and *reward* components were likely sufficient; they knew how to create an organizational structure and reward success (albeit from a negative perspective). But as an organization, they did not have *adequate mechanisms*, *relationships,* or *leadership*. This is evidenced by the fact that the components they purchased were incompatible (they wasted several hundred million dollars for EIN on components alone), they could not ultimately secure a deal with Blockbuster, and at the end of the day, the project failed—Enron broadband did not pull through on any of its promises. The shortfalls produced by EIN tarnished Enron's record and investor confidence.

Anticipated Conflict and Recommended Change

In order for the Enron executive team to have been able to change the trajectory of the organization, they needed to undertake an almost complete overhaul of their corporate cultural artifacts. Again, Enron believed that being young and bright was enough to ensure success; Lay and Skilling created a fear-based environment in the PRC system to ensure results at all costs; as a result, they created a corporate environment that was ripe with conflict; they truly believed that they were capable of changing the future (the future of how organizations do business); they flaunted their financial success in their buildings; they created language and myths to reinforce their confidence in the future; and they committed their company to technological and unfamiliar markets with the assumption that they would succeed without a prior track record in those industries. Each of these artifacts demonstrates that conflict was inevitable within the overall structure of the company.

Applying the Four-Frame Model to Enron

In *Reframing Organizations* authors Bolman and Deal (2008) offer a Four-Frame reframing model that helps an organization to create change within its *structural, human resource, political, and symbolic* frames. To begin, the structural frame helps an organization put the right people in the right roles and relationships (Collins, 2001, p. 57). The structural frame addresses six assumptions when evaluating the social architecture of an organization: that organizations exist to achieve established goals and objectives; that specialization and the appropriate division of labor increase efficiency and enhance performance; that suitable forms of coordination and control ensure that diverse efforts and individual units mesh; that organizations prevail when rationality prevails over personal agendas and extraneous pressures; that structures must be designed to fit current circumstances; and that structural deficiencies lead to the downturn of performance (Bolman and Deal, 2008, p. 47).

One of the central issues with Enron's structure was that the control measures were too loose. Since the employee turnover rate at Enron was so high, there was no long-term wisdom that employees could learn from in order to not make the same mistakes in the future. With a corporation as large as Enron, and with such a large turnover rate, it would be very unlikely for leaders and managers to retain an adequate knowledge of all employee's successes and failures in order to make wise

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adjustments for the future benefit of the company (it would be difficult to learn from their mistakes). To meet the base criteria provided in the six assumptions of the structural framework noted above, Enron needed to ensure that sufficient and efficient leaders and managers, with a tenured track record in the field they were overseeing, worked hard to ensure that the employees that were hired had experience in the field, and then to seek to retain those employees at all costs. This type of change requires a leadership and management team that could orchestrate a hiring process that looked for the long-term hire (creating corporate faithfulness) over simply filling a hole (Gostick and Elton, 2012, p. 42).

One of the key difficulties in the structural frame is the process of allocating tasks (Bolman and Deal, 2008, p. 52). With little to no track record at Enron, each employee would have been allocated tasks that were based on a track record outside of the organization. As such, the leaders and managers at Enron were continually basing their assumptions on an employee's output based on what they had been told, not on the basis of an observed track record. Consequently, it was inevitable that Enron would be an inefficient organization. Enron could muscle short wins at the expense of stamina—ensuring a structural process that clearly pointed toward long-term failure. For Enron to have been able to make this adjustment, it would have been crucial for Lay and Skilling to change their primary hiring strategy. Rather than focusing on short-term wins, Enron executives needed to make strategic decisions for the long term (p. 65). Furthermore, while the executive team could hire bright, they could not hire based on intelligence alone. Lay and Skilling are needed to grow an appreciation for tenured employees. Experience may cost more when it comes to a salary budget, but what experience buys is fewer mistakes and an educated history to ensure elementary mistakes are avoided (compensating for any wage increase concerns).

The next frame in the Four-Frame model is the *Human Resource* Frame. This frame seeks to create an interface between people and organizations; improves human resource management; and builds on interpersonal and group dynamics (p. 142). Building on the structural frame, the human resource frame argues that an organization needs to focus on hiring either *lean and mean,* or investing in people for the long term. Again, Enron hired lean and mean when they needed to look at hiring for the long term (p. 143). It is safe to say that the conflict that would have transpired with Lay and Skilling in making the change from hiring lean and mean to hiring for the long-term, is that lean and mean gave them short-term wins, whereas the long-term strategy would not. Lay and Skilling wanted to advance as quickly as possible into the future so that they could surpass their competitors and gain the lion's share of the market. Be that as it may, had Lay and Skilling hired for the long term, they might still be a competitor (p. 177).

Furthermore, if Lay and Skilling would have hired for tenure, character, and intelligence, they might have made short-term wins *and* created a culture where employees remained faithful to the organization over the long term (Stringham, 2012, p. 152). By creating internal tenure among employees, Enron would have ensured a future where they could promote from within the organization (Bolman and Deal, 2008, p. 146). By promoting from within they could build deeper cultural buy-in from employees. Furthermore, a work culture that invests in long-term employment, and that promotes from within, also creates job satisfaction and meaning, quality interpersonal relationships, and competencies that increase efficiency (p. 149).

The third aspect of the Four-Frame model is the *Political* frame. Bolman and Deal list five assumptions that need to be evaluated within the political frame: that organizations are coalitions of individuals and interest groups; that coalition members have enduring differences in values, beliefs, information, interests, and perceptions of reality; that the most important decisions involve allocating scarce resources; that scarce resources and enduring differences create conflict and make power the most important asset; and that goals and decisions emerge from bargaining and negotiation among competing stakeholder interests (p. 194). Enron was not a coalition. Enron was a super-charged individualistic environment where competition held the day. For Enron to implement change within the political frame of the organization, they needed to alter their emphasis on individual competition toward a coalition of individuals. The idea that the political frame creates conflict within an organization because of scarce resources and jockeying interests is illuminating. While Enron was not necessarily an organization working with scarce resources, the company was certainly an environment of competing interests. The management had architected the entire reward program on emphasizing competition from within. Bolman and Deal write: "Badly managed conflict leads to the infighting and destructive power struggle... But well-handled conflict can stimulate creativity and innovation that make an organization a livelier, more adaptive, and more effective place (p. 207).

In order for Enron to change the political map of the organization, they needed to map out the political terrain of the organization. Again, Bolman and Deal write, "It is foolhardy to plunge into a minefield without knowing where explosives are buried, yet managers unwittingly do it all the time. They launch a new initiative with little or no effort to scout and master the political turf" (p. 216). Enron could have benefited from implementing a mapping strategy of the political terrain that evaluated the channels of informal communication, who the principal agents of political influence were, the ability to analyze possibilities for mobilizing internal and external players, and to anticipate counterstrategies that others were likely to employ. While such an enterprise would have created conflict by reshuffling the entire organization, by implementing a map of the organization, Lay and Skilling could have worked with management to ensure that the right individuals were in the right places on the proverbial bus in each section of the company. This process could have helped to flatten the curve of internal conflict because it would have set measures in place to ensure that each employee was where they should be. Such a shift would have also helped to scout new talent from within the ranks which in turn would help create networking coalitions (Joiner and Josephs, 2007, p. 5).

Finally, the last aspect of the *Four-Frame* model is the *Symbolic* frame. Bolman and Deal define a symbol as, "something that stands for or suggests something else; it conveys socially constructed means beyond its intrinsic or obvious functional use" (Bolman and Deal, 2008, p. 252). Enron fell prey to some of the assumptions about corporate symbols. As the organization began to experience greater success, the executive team began to face the uncertain future by believing that what Enron typified—success—was enough to anchor their hopes and dreams (p. 253). They also began to believe that the most important part of an organization was not what happens *per se*, but what it means to work for Enron. Again, the Enron executives believed that rules which applied to other organizations did not apply to themselves simply because they were, "Enron." The whole idea that Enron was the symbol of success created a false perception of reality. While it was true that Enron was a paragon of success for their time, any organization that loses sight of the proven traps that cause other organizations to fall is likely to repeat the mistakes that led to the downfall of those organizations. While Enron was full of heroes and heroines ("water walkers"), stories, and corporate myths (the Star Wars theme), each of these elements of the symbolic frame was not utilized for the benefit of the organization. Consequently, conflict was generated because of organizational failure. As mentioned earlier, Enron helped to reinforce the negative traits that jeopardized the company's future by attaching symbolism to the wrong values. Again, Enron could have utilized the symbolic frame for the benefit of the company had it built the organization on qualities like tenure, character, and employee value and investment (Wiseman, 2014, p. 202). By creating a long-term trajectory, while striving and hoping for short-term wins, Enron could have reinforced stability and wisdom into its success symbolism.

Strategies for Organizational Communication

The most important aspect of organizational health is rooted in how well an organization communicates within itself. In a tongue-in-cheek fashion, Patrick Lencioni (2012) writes: "Someone once told me that the best way to ensure that a message gets communicated throughout an organization is to spread rumors about it. Therefore, they concluded, leaders simply out to go out and tell 'true rumors'" (p. 144). In any leadership hierarchy, a fundamental problem when it comes to the chain of command is an inability to communicate effectively (Johnson and Hackman, 2018, p. 21). When communication breaks down instructions and orders are misunderstood, and these misunderstandings, at best, lead to inefficiency, and at worst, to complete destruction (often the two go hand-in-hand) (Schein and Schein, 2017, p. 118). For Enron, healthy communication was hindered due to employee fear (Johnson and Hackman, 2018, p. 147). Under the shadow of the PRC, what employee would want to own up to personal failures or mistakes? Consequently, information that needed to be communicated to the executive leadership was not communicated, and the same went for information that needed to be communicated from the top down.

In his book *The Advantage*, Patrick Lencioni (2012) argues that an organization can improve communication by focusing on creating *clarity*. Clarity brings health to an organization because it removes confusion. Lencioni argues that for an organization to create clarity and move toward organizational health, communication clarity must start with the leadership of that organization (p. 74). For Enron, Lay and Skilling needed to loosen their hold on power and begin to truly communicate with their executive team. Furthermore, they needed to enable their team to speak about failure without fear of threat so that the executive team could gel as a collective voice. Lencioni offers six critical questions that a leadership team can ask themselves to begin the flow of healthy communication: “Why do we exist? How do we behave? What do we do? How will we succeed? What is most important, right now? And, Who must do what?” (p. 77). Enron could have benefited at the executive level if the team could have truly asked these questions to one another with transparency on a regular basis. The collapse of Enron was partially due to forgetting the answers to these questions. They lost sight of what they were truly good at and began to believe they could be experts in fields they knew nothing about.

Building on this foundation Lencioni recommends that an organization be strategic about communication by *overcommunicating* clarity. Lencioni argues that an organization must not only ask the right questions of itself, but they must assume that communication is not merely the one-time transfer of ideas or information. Rather, he argues that the two top priorities of effective communication require not only setting the direction of the organization, but also the vital importance of reminding those in that organization of that direction, *repeatedly* (p. 142). If Enron could have hired for the long-term, and invested in their people rather than simply seeking success, they could have added strength-to-strength by building a deep communication culture. Lencioni (2012) describes the process by which this can take place:

> The most reliable and effective way to get an organization moving in the same direction is for members of a leadership team to come out of their meetings with a clear message about what was decided, promptly communicate that message to their direct reports, and have those direct reports do the same for their own direct reports. We call this “cascading communication” because it begins the structured but interpersonal process of rolling key messages down through the organization directly from the leadership team (p. 144).

Enron communicated corporate success and positive quarterly returns, but it is apparent based on the high turnover rate and the PRC process that communication was always censored by fear. Enron could have benefitted from creating a communication chain that promoted overcommunication and integrity. If the executive team could have modeled this type of overcommunication, Lencioni argues that the organization would begin to do the same through cascading communication. In an organization as large and individualistic as Enron, this kind of cascading communication would have become a much-needed unifying force throughout the whole organization.

Finally, Lencioni (2012) emphasizes the importance of *reinforcing* clarity. Again, reinforcing clarity requires an organization to hire the right people (p. 156). Lencioni argues that character trumps intelligence any day. Enron had smart people, but they did not build a corporate team. They built an organization of mavericks looking to climb the ladder ahead of the next person. Lencioni argues that clarity is reinforced when the right team is assembled, and when individuals have the freedom to communicate clearly without fear of threat. When reinforcing clarity an organization seeks to ensure that the leadership and management team commits to reinforcing what is expected of those under their supervision for the purpose of eliminating confusion. When confusion is removed, trust is gained because employees understand exactly what is expected of them. When trust in an organization grows, organizational health flourishes, and when organization health flourishes, the possibility for long-term satisfaction and buy-in increases exponentially.

Conclusion

Looking back over the last twenty years since Enron’s corporate implosion it is clear now that the organization had created a culture doomed to fail. Lay and Skilling believed that young and bright was enough to ensure a perpetual metric of short-term gains, rather than strategically balancing youthful intelligence with expert intelligence. They created a fear-based feedback loop in the PRC system rather than designing a feedback loop that emphasized individual character and corporate health. They created a negative conflict culture that nurtured bully tactics modeled by the senior executives, rather than a positive conflict environment that could stimulate maximum creativity and growth—a strategy that cripples Lencioni’s (2012) wisdom for corporate communication. The executives believed that “Enron” was above the rules, creating a corporate hubris that gave them a perception that they were invincible to decisions that led to the demise of their competitors. With each of these artifacts, they built their mythology on a false foundation, persuading their employees and investors that Enron would lead the United States into the future of global business, rather than a mythology that embodied best-practice strategy, fun, and corporate humility. They flaunted their fiscal success in their organization, reinforcing the myth of superiority. Finally, with all their success they were blinded by the reality that they could not guarantee success in branching into previously unknown fields. Their corporate blind spots eventually lead to their financial ruin and a last-ditch attempt by Lay and Skilling to sell their shares privately, whilst telling investors to invest in Enron's future, a decision that led to untold pension funds being squandered away by leadership that lacked credibility.

In their book *Leadership: A Communication Perspective* authors Craig E. Johnson and Michael Z. Hackman capture the heart of what was missing at Enron—*leadership credibility*. They write, "[Leadership] Credibility is the foundation for successful influence because the success or failure of a particular influence strategy ultimately depends on the credibility of the influencer" (Johnson and Hackman, 2018, p. 178). In evaluating a variety of surveys of over 100, 000 global managers over a period of 30 years Johnson and Hackman cite a fundamental response to the value of leadership credibility: "People everywhere want to believe in their leaders. They want to have faith and confidence in them as people... to believe that their leaders' words can be trusted that they have the knowledge and skill necessary to lead, and that they are personally excited and enthusiastic about the direction which they are headed. *Credibility is the foundation of leadership*" (p. 178). While the bottom line is necessary for corporate growth, when fiscal success becomes more important than the lives of those who make up the company, and the investors who put their faith in the organization's future, it is time to rethink the purpose of the organization. The legacy of Enron's leadership forsook personal credibility at the expense of corporate credibility, but their failures continue to offer corporate America wisdom gained by foresight, rather than by hindsight.

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