

No Parsifal at Enron

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

Daniel T. Carroll

In Richard Wagner's last opera, the witch Kundry reveals that the knights are only to be saved by a perfect or innocent fool (der reine Tor). Fortunately for the knights, the fool is found, and Parsifal does succeed in saving them to fight another day. In the case of Enron, there were plenty of fools but tragically no innocent ones. The following twenty-one persons and organizations in and out of Enron have been ranked in roughly their order of becoming involved but not necessarily in their degree of foolishness.

1. Fool number one has to be Ken Lay, who knew enough to become extraordinarily wealthy but not enough to understand how he and his company were being set up.
2. Fool number two is Jeff Skilling, who knew more than enough but who departed too late to escape blame and guilt.
3. Fool number three is Andy Fastow, whose financial creativity was not enough to obscure his loyalty to the partnerships over his loyalty to Enron.
4. Fool number four are certain of Andy's subordinates who envied his ill-gotten gains so much that they succumbed to the same temptation.
5. Fool number five is the Audit Committee which never wondered about assets that arrived without accompanying debt or about officers whose conflicts of interest had been waived.
6. Fool number six are any Enron Directors who have yet to resign from all corporate boards in the mistaken belief that their reputations have somehow remained intact.
7. Fool number seven is the Board's investigative committee which proceeded with its efforts despite the clear conflicts of interest of two of its three members.
8. Fool number eight is Enron's principal law firm which seems still not to understand that its authorship of partnerships that are designed to deceive is a violation of professional ethics.
9. Fool number nine are the investment bankers who endorsed and invested in at least one partnership which was created to take advantage of the non-public information that participating Enron officers were expected to provide.
10. Fool number ten is Andersen's David Duncan, who seems to have become seduced and then entrapped by the weekly fees of \$1 million.
11. Fool number eleven are some number of the Andersen audit team who chose to "look the other way" when they had been trained and disciplined to do otherwise.
12. Fool number twelve is the leadership of Arthur Andersen which abruptly terminated David Duncan in an effort to distance itself from a client whose fees it energetically pursued and whose finance organization was staffed in part by Andersen "alumni".
13. Fool number thirteen is Andersen's legal counsel who thought it was enough just to distribute the firm's policy about document shredding.
14. Fool number fourteen is the Congress which resisted regulations proposed by the SEC and which authored legislation that allowed Enron and others to avoid taxes and in other ways to shelter income.

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15. Fool number fifteen is the Administration which received warning phone calls about the looming disaster and maintained its distance and silence instead of alerting investors and employees to the losses they would shortly incur.

16. Fool number sixteen is the new Chairman of the SEC who seems not to understand that his prior representation of Andersen and the accounting profession makes him an unacceptably conflicted regulator.

17. Fool number seventeen are the security analysts who knew of the shortsellers' suspicions and yet continued to rate the Enron stock a "buy" and often a "strong buy".

18. Fool number eighteen are those shortsellers who never realized Enron's condition was truly fatal and as a result assumed the bottom was somewhere short of bankruptcy.

19. Fool number nineteen is the business press which uncritically accepted the unsupported and occasionally utterly fanciful statements by Enron's management.

20. Fool number twenty are those institutions and charities which believed too long in Enron and its destiny and thus failed to cash out their gifts of Enron stock.

21. Fool number twenty-one is probably the public who wants to believe that Enron like the tulip craze, the South Seas scandal and the Ponzi scheme is a phenomenon that only occurs once a century.

In time there will be a popular book written about the fate of Enron and Andersen and conceivably others. Like those written about the Penn Central Railroad and the Penn Square Bank, Enron's book will be entertaining, and for a time it should sell well. Unfortunately the Enron story like the other two is likely to be a story better told than a lesson well learned.

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