



# Playing BY THE Rules

## ETHICS AT WORK

# Undergraduate & Graduate Business School Episode Guide

Episode 2: Ask Why

**[wliw.org/ethics](http://wliw.org/ethics)**

Playing By the Rules: Ethics at Work is presented by WLIW, in association with WNET New York Public Media. The series is distributed by American Public Television. Major funding for the series was provided by Ronnie and Lawrence D. Ackman. Additional funding was provided by Betty and John Levin, Lise Strickler and Mark Gallogly, Patricia and Philip Laskawy, and Graves and Colleen Tompkins.



## Episode 2: Ask Why

# Instructor Overview

### Case Overview

Why did Enron's collapse take the financial community by complete surprise? Were there any warning signs that Enron was not as financially stable as it appeared? "Ask Why" takes a look at the energy company from Houston which, in just 15 years, had built itself into the seventh largest corporation in America. The film examines the events that led to the company's collapse, including a corporate environment that inhibited the board of directors from exercising governance and control.

The film features candid interviews with Sherron Watkins, a former Vice President of Corporate Development at Enron who sounded the alarm bell at the time. Watkins wrote a letter to Enron founder and chairman Ken Lay on the nature of the accounting fraud hiding the company's investment losses, in which she asked, "Has Enron become a risky place to work?" she asked. "I am incredibly nervous we will implode in a wave of accounting scandals."

Her pleas to the captain to right the corporate ship fell on deaf ears, and some five months later Enron declared bankruptcy.

### Media Utilization Tips

Ideally, instructors will assign the [full episode](#) (26 minutes) to students to watch in advance of the class, so that they may fully participate in the in-class discussion.

### Link to view:

<https://www.wliw.org/programs/playing-rules-ethics-work/playing-rules-ethics-work-ask-why-full-episode/>

**Key Moments:** Instructors may choose to highlight key moments within the episode. Below are the timestamps of key decision-making moments by Sherron Watkins, as well as other turning points in the case:

**6:45** - What key issue did Sherron Watkins identify and raise with Ken Lay?

**9:42** - Which actions taken by Enron were premeditated, and which were a result of Enron's corporate culture?

**16:30** - How did Ken Lay react to Sherron's accounting concerns?

**Reflection Questions:** Instructors may also choose to provide students with reflection questions as they watch the episode. Examples of reflection questions include:

- *Describe the parties involved and their interests.*
- *Describe the key dilemma Sherron Watkins faced.*
- *Describe how Enron's corporate culture may have contributed to the company's issues with fraud.*
- *Describe the fallout for employees and investors resulting from Enron declaring bankruptcy.*

## Key Takeaways

Here are some of the key themes in this episode:

- There are particular moments when good or bad decisions can set an individual or company on a path toward unethical behavior. Making ethical decisions at an early stage can lead to better outcomes later, even when these decisions are challenging.
- As in Episode 1, we see that Enron's corporate culture played a role in creating an environment where fraud occurred. If you have previously discussed Episode 1 and Citigroup, examine the similarities or differences between the two corporate cultures.

## Supplemental Case Readings

The following articles provide additional information about the Enron scandal. Instructors may use this as background reading to prepare to lead the class. Additionally, instructors may choose to assign one or more of the articles to students as supplemental reading.

- [Enron Chiefs Guilty of Fraud and Conspiracy](#) (*The New York Times*, May 25, 2006)
- [Behind the Enron Scandal](#) (*TIME* magazine, 2016)
- [The Enron Ponzi Scheme](#) (*The Atlantic*, March 2002)

## Episode 2: Ask Why

# Instructor Resources

Below is a suggested structure for class discussion and activities based on this episode. This structure assumes the instructor has assigned students to watch the episode prior to class.

### **Class Outline:**

#### **I. Overview (10 minutes)**

- Outline the case and key issues at play.

#### **II. Discussion (30 minutes)**

- Open up the floor for class discussion.
- *Discussion questions:*
  - Describe the key dilemma Sherron Watkins faced.
  - Describe how Enron's corporate culture may have contributed to the company's issues with fraud.
  - Describe the fallout for employees and investors resulting from Enron declaring bankruptcy.
- *Suggested themes to highlight:*
  - The role corporate culture can play in ethical dilemmas.
  - Identifying key moments when unethical decisions were made.

#### **III. Activity: Debate (50 minutes)**

- See "Extension Activities" on the following page for an activity outline.

#### **IV. Conclude (15 minutes)**

## Episode 2: Ask Why Extention Activities

### I. Case Summary

**Assignment:** Prior to class, assign students to write a three-sentence summary of the case presented in the episode. The summary should include an overview of the key issue presented in the case, along with the case outcome.

### II. In-Class Debate

After the Enron scandal, some other large U.S. corporations faced fraud charges. In almost all cases, the company declared bankruptcy, except for one: Tyco International. Though many cases of fraud are clear-cut, in the case of Tyco, executives accused of fraud claimed the company authorized it.

**Tyco International Case:** Former chairman and chief executive Dennis Kozlowski and former chief financial officer Mark H. Swartz were accused of the theft of more than US\$150 million from the company. However, the two former executives contended that Tyco's board of directors authorized the expenses as part of their compensation.

1. Split the class into three groups: two groups will argue for and against Kozlowski, and the third group will serve as judges. The instructor should print and distribute the applicable article to each group. The judges should read both articles.

**Pro:** Kozlowski was not at fault for Tyco's fraud and was wrongly punished  
[Dennis Kozlowski Was Not a Thief](#) (Harvard Business Review, January 7, 2014)

**Con:** Kozlowski is responsible for Tyco's fraud and his punishment was correct  
[Top Tyco Executives Charged With \\$600 Million Fraud Scheme](#) (New York Times, September 13, 2002)

2. Distribute the applicable reading assignment to each group and give students time to read independently and discuss as a group (20 minutes). During this time, the judges should read both articles and discuss the key issues at play.

3. Each group should clearly articulate their stance and make an argument as to why they are correct (5 minutes per group).

4. After each group states their case, the judges should pose questions to each group (5 minutes per group).

5. Judges will then leave the room and deliberate, and return with a final verdict and explanation of their reasoning (10 minutes).

### III. Editorial

**Assignment:** Write a 250-word editorial describing the workplace conditions you believe most significantly contributed to Enron’s fraud and ultimate downfall. What dilemmas did Sherron Watkins face in blowing the whistle?

**Note:** Instructors may choose to ask students to use the included ethical frameworks in the full *Playing by the Rules* classroom materials or other frameworks appropriate to their class in their analysis.

**Key considerations:**

- *What would you have done if you were in Sherron’s position?*
- *What factors would contribute to your decision?*
- *How would you weigh the consequences of your decision?*
- *What effect would your decision have on key stakeholders (Enron managers, investors, customers, and your coworkers)?*
- *Describe one or two ethical frameworks you would use to weigh your decision.*

**Alternate Assignment:** Write a 250-word editorial describing a similar ethical dilemma you have personally witnessed or experienced. Please do not reveal details about identities, company, etc. Apply the frameworks discussed in class and the major trade-offs faced by the main decision maker in the dilemma.

### IV. Related Readings

Instructors may choose to assign additional readings for context on the key issues of this episode, either in advance of class or post-class:

- [The 10 Worst Corporate Accounting Scandals of All Time](#) (*The Accounting Degree Review*, 2018)
- [What is Corporate Fraud?](#) (*United States Internal Revenue Service*)