

Elite Offenders

offenders in the highest socio-economic status group, such as owners of large firms, senior executives, high status civil servants or government ministers

White collar offenders have been described as white, middle – aged males, who have well above average socio-economic status, with stable employment in white collar jobs and who are more often than not owners of, or officers in, companies. (H. Croall)

Enron



Enron Corporation was an Oregon corporation with its headquarters in Houston, Texas. Among other businesses Enron was engaged in the purchase and sale of natural gas and power, construction and ownership of pipelines, power facilities and energy-related businesses, provisions of communications services, and trading in contracts to buy and sell various commodities. Before it filed for bankruptcy on December 2, 2001, Enron was the seventh largest corporation in the United States.

Creating Enron: 1985 to the late 1980s

Initially, the company was to be named Enteron, then the Wall Street Journal pointed out that the word's definition meant "intestinal tract". The board of directors dropped the middle letters "te" from the name. The merged company would be called "Enron".

The company had its headquarters in Houston

Enron's CEO, Kenneth Lay wanted the company to become the premier natural gas pipeline in North America. He believed that natural gas – not coal, nuclear power or oil – was the solution to the nation's energy problems. Coal contributed to global warming, nuclear power led to the Chernobyl disaster, and oil made the nation dependent on Middle East political instability

Jeffrey Skilling's STRATEGY

A Gas Bank that could reduce economic risks associated with price fluctuations for both producers and users. Natural gas suppliers could sell their product to Enron through long-term contracts and receive a predictable flow of income. Natural gas users could buy their gas from Enron through long-term contracts at a predictable price. The major obstacle was determining a price appealing to both producers and users that was also very profitable for Enron [...]

For instance, instead of a buyer paying \$2 for natural gas on the spot market today and not knowing how much to budget for the next purchase, why not sign a ten-year contract with Enron at a guaranteed \$2.50? If prices remained below an average of \$2.50 during the next ten years, the buyer would lose because the natural gas could have been purchased at a cheaper price on the spot market. But if the prices averaged more than \$2.50 during the next ten years, the buyer could save a substantial amount of money relative to buying on the spot market. As for Enron, it only needed to sell the natural gas at a price that was higher than the purchase price. (Denis Collins)

International success

Thanks to the victory of global capitalism and Skilling's innovative ideas, Enron was to achieve international success.

New corporate goal



To become the world's largest natural gas company

The New York Power Authority signed a \$1.3 billion contract to purchase natural gas over the next 23 years at a fixed price of \$3.50 per 1,000 cubic feet for the first ten years, compared to the current \$1.50 spot market price.

At the beginning of the 1990s the Gas Bank division signed long-term contracts with more than 35 natural gas producers and fifty users

Strategy

The Company used stock options as incentives. This strategy had several accounting benefits. Stock options did not appear on a company's profit-and-loss statements and could be deducted as an expense when determining tax liability.

But what really attracted managers was the yearly performance bonuses that could far exceed annual salary

Kenneth Lay established a set of four core values to be addressed to all the employees

Respect

We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment. Ruthlessness, callousness and arrogance do not belong here.

Integrity

We work with customers and prospects openly, honestly and sincerely. When we say we will do something we will do it; when we say we cannot or will not do something, than we won't do it

Communication

We have an obligation to communicate. Here, we take the time to talk with one another And to listen. We believe that information is meant to move and that information moves people

Excellence

We are satisfied with nothing less than the very best of everything in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.

Each floor of the twelve-story employee parking garage espoused a different aspiration for drivers to absorb as they drove to the top in search of a parking space: Level 1, Bold; Level 2, Innovative; Level 3, Smart; Level 4, United; Level 5, Ambitious; Level 6, Accomplished; Level 7, Resourceful; Level 8, Creative; Level 9, Confident; Level 10, Adventurous; Level 11, Adaptable; Level 12, Undaunted

Andrew Fastow (CFO), who had a propensity for financial risk-taking, owes his success at Enron for his initial decision to raise money through securization sales that shifted economic risks to outside investors

Main source: Danis Collins, Behaving badly: Ethical lessons from Enron, 2006

The Gas Bank had been loaning money to natural gas companies to build pipelines and for research exploration. Fastow created a new stream of revenue by bundling these loans together and selling them to a third party at a discounted price. These transactions had the dual virtues of removing loans from, and adding revenue to balance sheets