The Collapse of a Culture Lessons From Enron

Cindy Olson
The Good
Innovative Culture
Inspiring Vision
Strong Employee Value Proposition

Bad and The Ugly
Values Not Enforced
Success Brought Arrogance
Listening to Employees

The Lessons
Bad Things Happen to Everyone
First Vision
Become the Premier Integrated Natural Gas Company in North America (1986-89)

Second Vision
Become the World’s First Natural Gas Major (1990-95)

Third Vision

Fourth Vision
Become the World’s Leading Company (2001-...)
At the heart of your employer brand strategy should be your employee value proposition (EVP). Your EVP is an employee-centred approach that is aligned to existing, integrated workforce planning strategies because it has been informed by existing employees.

The following core aspects:

- As the world’s leading chemical company, we offer intelligent solutions both for our customers and for a sustainable future.
- We connect people with very different

**Defining your EVP**
To define your EVP you should conduct
Enron's VALUES

- Integrity
- Respect
- Communication
- Excellence
Keys to an Ethical Culture

- Model integrity personally
- Develop core values for organization
- Communicate values frequently
- Hold everyone accountable to values
Enron's Major Players

- Ken Lay
- Jeff Skilling
- Andy Fastow
- Sherron Watkins
My Enron Journey

- InterNorth Becomes Enron
- Change Agent
- Culture Committee
- Back Office of Enron Capital and Trade
- Community Relations/Global Human Resources
- Coaching Other Companies Across the Country
Presentation to CEO’s in 2001
What is Enron?

**Enron Wholesale Services**
- Marketing and Delivery of Energy Products Worldwide
- Enron Net Works
- Enron Online

**Enron Energy Services**
- Energy Outsourcing to Commercial and Industrial Customers
- The New Power Company

**Enron Transportation Services**
- Natural Gas Transportation
- Electric Distribution

**Enron Broadband Services**
- Bandwidth Intermediation and Content Services

**Enron Employee Facts – A contrast of 10 years**

<table>
<thead>
<tr>
<th></th>
<th>Jan - 1990</th>
<th>Jan – 2001</th>
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<tbody>
<tr>
<td>Employee Count</td>
<td>6,962</td>
<td>Approx. 20,000</td>
</tr>
<tr>
<td>Advanced Degrees</td>
<td>278 (4%)</td>
<td>3,560 (20%)</td>
</tr>
<tr>
<td>Tenure</td>
<td>8 years</td>
<td>8 years</td>
</tr>
<tr>
<td>Languages Spoken</td>
<td>29</td>
<td>50</td>
</tr>
<tr>
<td>Job Growth</td>
<td>N/A</td>
<td>7%</td>
</tr>
<tr>
<td>Average Age</td>
<td>49</td>
<td>33</td>
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Enron Earnings and Accolades

- EPS increased 69% from 1997 to 2000 ($0.87 to $1.47)
- 350% total return to shareholders in 5 years ending 12/31/2000, more than double the return of the S&P 500 during the same period

*Fortune Magazine*

<table>
<thead>
<tr>
<th>List/Category</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Most Innovative – 6 years in a row!</td>
<td>1</td>
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<tr>
<td>Quality of Management</td>
<td>2</td>
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<tr>
<td>Employee Talent</td>
<td>4</td>
</tr>
<tr>
<td>Quality of Products/Services</td>
<td>5</td>
</tr>
<tr>
<td>Fortune 500</td>
<td>7</td>
</tr>
<tr>
<td>Most Admired Companies</td>
<td>18</td>
</tr>
<tr>
<td>Best Companies to Work For</td>
<td>22</td>
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<tr>
<td>100-Fastest Growing Companies</td>
<td>29</td>
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<tr>
<td>Global 500</td>
<td>62</td>
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Record of Performance

Enron's Business Evolution

<table>
<thead>
<tr>
<th>Business Growth Rate</th>
<th>High</th>
<th>Low</th>
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<tr>
<td>Upstream</td>
<td>EOG</td>
<td>GPG</td>
</tr>
<tr>
<td>Downstream</td>
<td></td>
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</tbody>
</table>

1990

North America Wholesale
International

Today

Communications
Europe
Retail
Other Int'l
North America

Total Market Cap - $3.2 Billion

Total Market Cap - $60 Billion

Confidential and Proprietary
Areas That Contribute To Our "Culture"

- Values / How We Behave
- Executive Leadership Abilities
- Structure
- External Perception
- Development of Employee Ideas
- Making it "Easier" for the Best to Work Here
- Meritocracy
- Internal Open Market for Talent
- Diversity of Talent
- Style
- Open & Free Markets
The Beginning of the End

Fortune Published an Article “Is Enron Overpriced?”

Tech Bubble Bursts and Broadband Struggles

PR Results Revealing

Jeff Skilling Tells Joke/Curses at Analyst

Jeff Skilling Resigns

Dynegy Sale Falls Through
<table>
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<tr>
<th>Attribute</th>
<th>2001 to 2000</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>More</td>
<td>Uncertain</td>
<td>Less</td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td>28.50%</td>
<td>37.80%</td>
<td>23.70%</td>
</tr>
<tr>
<td>Innovative</td>
<td>38.80%</td>
<td>35.70%</td>
<td>24.60%</td>
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<tr>
<td>Self Serving</td>
<td>41.90%</td>
<td>38.60%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Ethical</td>
<td>17.00%</td>
<td>45.10%</td>
<td>28.10%</td>
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<tr>
<td>Trustworthy</td>
<td>14.90%</td>
<td>39.00%</td>
<td>36.90%</td>
</tr>
<tr>
<td>Concerned for Communities</td>
<td>34.50%</td>
<td>44.90%</td>
<td>10.40%</td>
</tr>
<tr>
<td>Arrogant</td>
<td>39.10%</td>
<td>32.40%</td>
<td>13.30%</td>
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</table>
2000 vs. 2001
300% increase
Increased from 2 per month to 2 per day.
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Enron Files For Bankruptcy

CFO re-stealing
Lack of Confidence drives Stock Price down
Short Term Paper Called/ No Cash for Trading Business
5000 Employees Laid Off
The Fall Out

First to Testify in front of US Senate and House

Testify in front of the Grand Jury

Deposed by Labor Department

Testify at the Trial of Ken Lay and Jeff Skilling

Wrote the Book “The Whole Truth...So Help me God”
Enron Foretold The Future

From Member

behavior
Enron Foretold The Future

Integrity is Important in Every Team Member

Personal Gain Drives Personal Behavior

Politics Provides a Dangerous Element in Business Decisions

Bankruptcy is a Lucrative Business

More Government Rules in Place Don’t Fix the Problem
The Value of Integrity

- $60 billion and 25,000 jobs vanished

- Collapse brought down Arthur Andersen (85,000 jobs)

- 60% of Millennials are looking to leave their current dream jobs because of the lack of Integrity they see in their workplace
The Lessons

- Bad Things Happen to Everyone
- Take One Day at a Time
- Operating in the "Grey" is Dangerous
- Stay Humble and Grateful
Final Thought

Bill Gates: “The Problem with success is it leads you to believe that no matter what……You Can’t Fail”