

Part A- Analyze the Scenario

Introduction

In August 2001, Enron's Vice President of Corporate Development, Sherron Watkins, discovered alarming accounting irregularities that put the company at risk. This analysis will focus on her ethical decision-making with emphasis on her strategic communication analysis based on the sender, receiver, message, and channel, as well as evaluating the outcomes, effectiveness, and the main successes and failures of her whistleblowing endeavor.

Ethical Decision and Communication Strategy

Given her position as Vice President and her professional credentials as a certified public accountant, Sherron Watkins certainly possessed professional credibility and an insider's viewpoint of the company's financial systems. Enron's financial infrastructure was dangerously fragile, and Watkins was informed of too many overlapping and even conflicting financial transactions, which raised doubts about legality and compliance with financial standards in August of 2001 (Lucas & Koerwer, 2004).

Watkins opted to approach the company's Chairman and CEO, Kenneth Lay, since he had the power to make changes at the company. In her six-page memo, she detailed the "Raptor" partnerships and their associated losses, explaining how the company had to restate profits to align with reality capture and echoed around \$700 million in losses. She highlighted grave concerns, stating that the company's accounting could "implode in a wave of accounting scandals" (Reuters, 2002).

Initially, Watkins sent an anonymous letter, but later followed it with a memo detailed enough to be addressed to Lay. She even took the effort to arrange a meeting to explain her findings in detail. The ethical dilemma she had to deal with was a choice of loyalty to the company and a moral obligation to defend employees, investors, and the public.

Her choice of using a direct and documented approach was, otherwise, her decision in this case was ethically correct. She chose a decision maker, maintained a need for silence, and provided fully documented and factual evidence (Black & Bright, 2019).

Outcomes of the Communication Strategy

Sherron Watkins wrote her memo with the intention of initiating some sort of internal action that would prevent further stakeholder damage and ultimately preserve Enron's integrity well before the scandal became public knowledge. She tried to fix the problem without drawing attention to it, and preventing further damage to the company's finances and reputation. (Turunen, 2024)

Her correspondence had limited reach, as it was only sent to Kenneth Lay and perhaps a small circle of close advisors. No board members, audit committee members, or outside regulators had any involvement, which decreased the possibility of independent oversight.

The memo's content was thorough and specific, including factual details such as the \$700 million loss associated with the "Raptor" partnerships alongside the company's pending doom without action. While he did promise a follow-up investigation, no action of consequence was taken. The outcome of these congressional hearings showed that Enron filed for bankruptcy in December 2001. As a consequence, many employees, investors, and the general public suffered significant financial loss.

Effectiveness Analysis: Successes and Failures

Watkins' memo showcased notable bravery and ethical consciousness, illustrating one of the rare internal efforts to bring to light Enron's illegal activities. By articulating her worries comprehensively, she constructed what became crucial documentation for congressional and regulatory investigations, guaranteeing that the issues could not be ignored after they surfaced publicly.

Nonetheless, the communication pathway was too limited, only addressing the CEO and a handful of advisors. Absent broader elevation to the board, the audit committee, or external whistleblowers, the warning's impact was immediate but limited. The company's constricted culture stifled dissent, so her worries were largely ignored (Rashid, 2021).

The postponement of external disclosure permitted Enron's difficulties to exacerbate, resulting in disastrous losses, including a stock price plummet from over \$90 to under \$1.

Primary Failures and Success

Watkins' timely, well-documented memo reflected ethical courage and created a permanent record of wrongdoing. However, the lack of broader escalation beyond the CEO, coupled with Enron's resistant leadership culture, meant her warning failed to prompt immediate corrective action, allowing the company's collapse to proceed unchecked (Boddy, 2023). Regardless, her memo did subsequently help initiate regulatory policy changes, including the enforced corporate governance and financial accountability provisions of the Sarbanes-Oxley Act.

Conclusion

Watkins' memo was ethical in nature, as well as safeguarding an essential record about Enron's misdeeds. Nevertheless, her limited escalation reduced the memo's impact. The scenario shows the need for systems with fewer barriers and multiple routes that allow whistleblowers and

complainants to speak up and ensure critical issues reach those who are adequately positioned to address them.

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Part B: Communication of Lessons Learned

Medium: Internal Email

Rationale for Medium:

There is formality related to an internal email, which is much easier to document and helps to privately share experiences with a colleague. The internal email ensures that the recipient is able to review and reflect on the contents privately, while preserving a record that is permanent and can be used for referencing or escalation in the future.

Subject: Lessons from the Enron–Watkins Whistleblowing Case

Hi Bexin,

From the Enron case that involves Sherron Watkins, I think that there are critical practices related to communication and integrity that we can address in our field after applying the lessons of the case. Sherron Watkins uncovered an enormous amount of accounting discrepancies and issues, which she detailed in a memo that was sent to the company's CEO. She acted with ethical courage, and though her actions were commendable, the narrow reach of her communication limited her impact.

To begin with, recording concerns is important because written documentation provides evidence; what is recorded in writing can be cross-verified. Also, to avoid being swept under the carpet, concerns must be escalated, at the very least, to the boards or compliance committees. In addition, enlisting the support of trusted peers has the potential to garner additional advocacy and to compel action. Furthermore, it may be paramount to report to the regulators outside the organization if there are internal mechanisms that have failed to be in place in a timely manner, as that may be in the best interest of the stakeholders. Finally, there is a need to have an active

approach towards fostering an organizational culture that permits unhindered communication and protects whistleblowers from retribution.

These actions together can help restore ethical balances, maintain trust, and avert the potential for crises.

Best regards,