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A Video Record of Enron Shows Life Before the Fall

By SHAILA K. DEWAN

HOUSTON, Jan. 30 — In April 2000, Enron ([news/quote](#)) was still flying high, at least publicly. Jeffrey K. Skilling, the president and chief operating officer at the time, faced a video camera and spoke enthusiastically about the corporate culture that would, he insisted, enable Enron to go from the world's largest energy-trading company to the world's leading company, period.

"People have an obligation to dissent in this company," Mr. Skilling said, detailing Enron's core values of respect, communication, excellence and integrity as company posters of a sunflower and a smiling baby girl flashed on the screen of what became a multimedia computer presentation. "I mean, I sit up here on the 50th floor, in the library. I have no idea what's going on down there, so if you've got a problem with it, speak up. And if you don't speak up, that's not good."

The video was part of what was supposed to be and, for a few months, was a case study of a phenomenal transformation, prepared by two University of Virginia business professors with exclusive access to Enron's top executives. But what was meant to inspire students has become a cautionary tale, a study in hubris all the more valuable for its intimate picture of life before the fall.

The professors, Robert F. Bruner and Samuel E. Bodily, who teach at the Darden Graduate School of Business Administration, first saw Mr. Skilling in November 1999, when he spoke at the school. What they saw then was someone, they said, who might be the next John F. Welch, leading a company whose story could be told alongside those of the other giants like Mr. Welch's General Electric ([news/quote](#)), or Home Depot ([news/quote](#)) or Wal-Mart Stores ([news/quote](#)).

What they see now is a business plan that reality refused to endorse. Even when they shot their first interviews — the bulk of their 15 hours of film — in May 2000 the company was already buying time, the professors say now.

"All of the partnerships are there to hide the debt and make it possible to keep going," Dr. Bodily said in a phone interview this week. "The strategy seemed to be, 'I lost money in the poker game, so now I'll take the mortgage down to the casino and gamble even harder,' " he said. " `By tomorrow, I won't have to tell them anything.' "

But before the company began collapsing, Mr. Skilling came across as a bright, charismatic innovator who talked for three and a half hours, refusing to take a break. "He would speak in sentences, the sentences would form paragraphs, the paragraphs were almost like chapters of a book," said Dr. Bruner, now very curious to see what the investigations of Enron will reveal about Mr. Skilling's behavior. "Very smooth. Very, very smooth. I look back on some of that and say, 'You were not doing what you said you were doing.' "

A second round of filming occurred in May 2001, when Mr. Skilling, who by that time had become chief executive, told them, "I think we'll be around for a long time."

Amid platitudes ("People don't come to work for a company. They come to work for a mission.") and back-slapping ("Ken is one of the nicest, most thoughtful human beings in the world."), the executives describe how, under the leadership of Kenneth L. Lay, the company began to sell not just a product, but productive capacity, and apply that model to new markets like broadband.

They also emphasized the importance of a progressive environment. "We're going to do the right thing, and make money without having to do anything but the right thing," said Andrew S. Fastow, who has since been fired for his role in establishing partnerships that are now under investigation.

The new, deregulated market for energy gave Mr. Skilling license to introduce a new corporate culture, the professors say, with high rewards for creativity as well as more ruthless practices like "rank and yank," in which the company fired the least productive employees.

In the case study, Mr. Skilling describes the company's search for a new rubric after it outgrew "the world's leading energy company." He said, "The voted favorite was 'world's coolest company.' "

The CD-ROM was first distributed last May. One morning in November, Dr. Bodily turned on his computer to find that the company had shut down its online trading operation. "The company was gone," he said.

So the partners added two sections to the case study; the original version, Dr. Bodily said, has already been auctioned on eBay ([news/quote](#)) for \$197.50. One new section is called "2001: The Fall of Enron." Its table of contents is essentially a chart of the stock's plunge marked with events like Mr. Skilling's abrupt resignation in August. The second sections is called "Reflections."

The study attracts keen interest in the classroom, but owning the rights to such a close look at the country's largest bankruptcy filing is not necessarily cause for glee. "When you see a really successful company die so dramatically," Dr. Bruner said, "you not only grieve for the loss of this exemplar, but also for the possible conclusions that students, current and former, might make."

Yet neither professor is willing to dismiss the importance of the company's ideas, which ultimately made life easier and cheaper for its customers. "That's part of the sadness that observers feel today," Dr. Bruner said. "This company did get something right for a period of time there at least. It will be, I think, proved to be an innovation of significance to the American economy equal in significance to the PC."

Luckily, failure can be as instructive as glory. Part of Dr. Bruner's Web site is devoted to his hobby, scripophily, the collecting of securities from companies, and even governments, of yore, many of which tell their own stories of financial folly.

It is not hard to guess the latest addition to the display of antique scrip on his office wall: a framed certificate of 10 shares of Enron stock. Yesterday it was worth \$4.05.