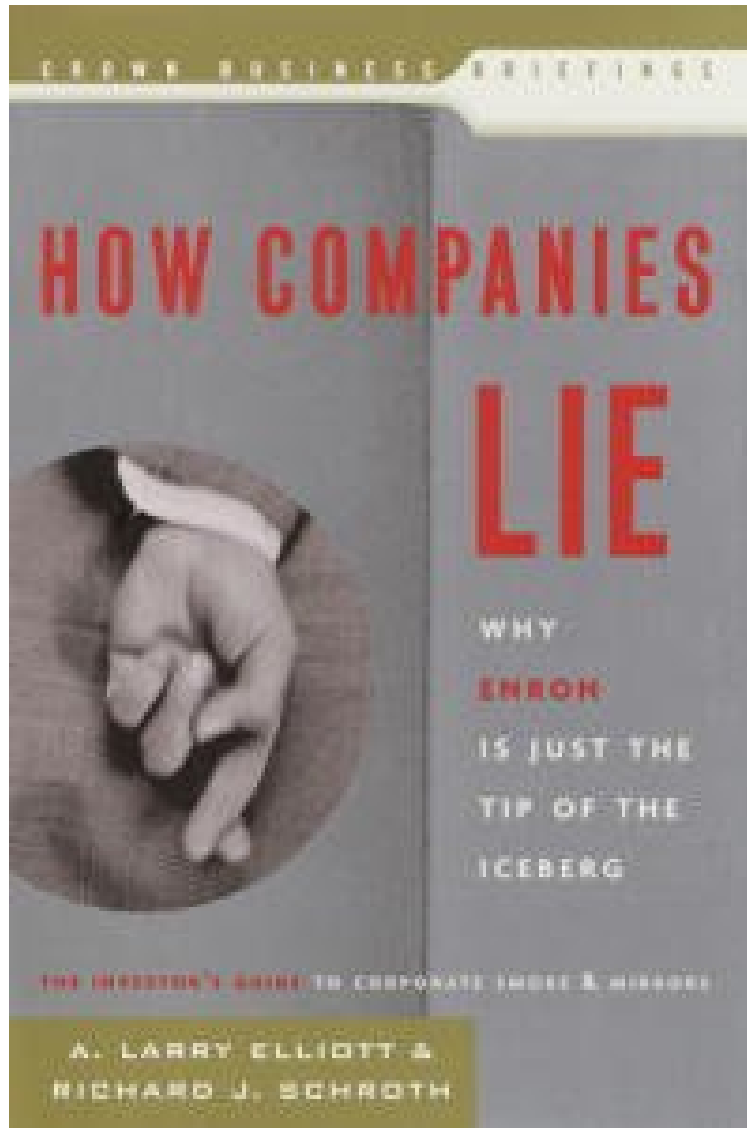


[Download pdf ebook] How Companies Lie: Why Enron Is Just the Tip of the Iceberg (Crown Business Briefings)

## How Companies Lie: Why Enron Is Just the Tip of the Iceberg (Crown Business Briefings)

*Larry Elliott, Richard Schroth*  
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**Larry Elliott, Richard Schroth : How Companies Lie: Why Enron Is Just the Tip of the Iceberg (Crown Business Briefings)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised How Companies Lie: Why Enron Is Just the Tip of the Iceberg (Crown Business Briefings):

4 of 6 people found the following review helpful. A Deep Look at Business Reality By A Customer If your looking to share an opinion with someone and you feel like business leaders are letting you down, then by all means, pick up this

book. This book stands on its own and apologizes to no one. The Wharton Business school's review is dead on in citing that the authors are trying to get at something much deeper than the shallow perspective of accounting. Something is fundamentally broken ... and these boys point it out. This book is not about greed, its not about Enron, its not about accounting methods, but its about a deeper and more fundamental issue that no one else seems to be getting to .... our system for understanding the current economic, legal and technological functionality of our corporations is broken. As the authors point out, "Have you been able to tell recently when you hear an earnings report on the news if anyone can tell the difference between them lying to you and the truth? I've been listening and I can't distinguish Xerox today from Xerox a year ago when I hear it on the news. The people these guys are talking about begins with us. Read this book and read it deep. There is a warning here that we all better pay attention to. Remember, this book is acknowledged to have been written before all this Enron stuff took place, and then a little Enron perspective was added. If the authors are actually that correct, we have a long way to go to fix the curret problems.7 of 7 people found the following review helpful. the crooks hire the copsBy A CustomerThis fortuitously timed book pulls no punches about the seriousness of the problem currently facing the stock market:"The scale and penetration of corrupting market processes is global....."According to the authors, investors have no choice other than to assume that everything corporations report or otherwise articulate is not all the truth. Investors must find ways to verify what is going on inside the corporations that hold their money, or they must decide that they have reason to trust the leadership team and place their bets on the people in charge.The authors point out that if financial planners and brokers are smart, they will begin to position themselves as "investor's representative" to the capital markets. Investors want to know more about the companies in their portfolio and how the professionals are making sure that money is not in the hands of the fakers. Investors may also want to see that their investment advisers have a little skin in the game as well.Here are some of the useful reforms suggested by the authors:1. If executive sells company stock, put 50% of proceeds in escrow for minimum of two years; audit companies would have to place 30% of their fees in same kind of account.2. Provide some kind of limited insurance (e.g. \$100,000 maximum like FDIC) to protect individual investors from fraud, paid for by publicly traded corporations3. Have auditors report to SEC and paid through an "audit tax" (a pool of funds paid by corporations) rather than directly by corporations4. Have something like the Baldrige awards to recognize and reward companies based on the quality of their tools for verification of the financial data they report.5. Require financial reports to include, among other things:- all "off-balance sheet" debt, revenue, and taxes- all loans to customers, insiders and outsiders- measures to ensure employee ethics- measures taken by the audit committee of the board ensure that audits produce an accurate picture of company performance...6 of 7 people found the following review helpful. [...] -free online publicationBy Knowledge@WhartonWarning: This Corporation May Appear More Capable Than It IsAt the very least, How Companies Lie: Why Enron is Just the Tip of the Iceberg should win an award for being first to market following the collapse of Enron, WorldCom and so many other companies. Authors A. Larry Elliott and Richard J. Schroth have written a pithy book that does not tell us much about the collapse of Enron that we didn't already know. Yet the book does us a service by standing firm in its conviction that this seemingly endless rash of corporate greed and stupidity at the highest levels is inexcusable and requires major structural changes in the business of business.Elliott and Schroth are consultants who are intimately familiar with the world of Fortune 500 companies. They believe that a new management science, one not taught at business schools, arose over the past decade as a result of the booming economy: "managed mendacity." The authors explain their term: "Lies and deception help the inner circle achieve personal goals of greed and cover up their incompetence as executives." And they argue that managed mendacity can be found in virtually every industry and every business. "The same processes are in play whether books are being cooked, tobacco executives are testifying that nicotine is not addictive, airlines are telling you that flights are really on time and that security is being improved, or Ford is telling you that those Explorers are safe..."Elliott and Schroth are firm in their conviction that the executives running companies that have failed should not have been in charge. The authors tell us that these men (and it is interesting that virtually all are men) were simply playing a game: "Gamesmanship has replaced business management competence as executives and their boards have focused on managing the stock first, the business second and strategic value last." We have come full circle back to Michael Maccoby's Gamesman of a generation ago, only the 1990s version seems to have no grounding in morals or ethics.The authors rightly take boards of directors to the woodshed, calling them an "underperforming asset" and pointing out that "very few people can tell you exactly how a board adds value to the corporation." It is the board that should provide oversight and review of all corporate practices and hold executives accountable. The always-prescient Peter Drucker wrote back in 1954: "A dishonest chief executive can fool an outside board, though not for long if its members demand the information they should be getting and ask the questions they should be asking." Elliott and Schroth argue that "boards should be one of the prime intellectual capital assets of the corporation, and their insight into the best practices in business should set a high standard for conduct at the executive level."The authors argue for much greater powers for the SEC to dig into a corporation's books and its accounting practices. They seem to place a great deal of stock in the ability of the SEC to gather real-time information about corporations: "Technology has the power to provide real-time detection of potentially fraudulent transactions." Recent news about the SEC suggests that the Commission as currently structured under Harvey Pitt has neither the capability nor the commitment to take on

such a task, however. The most blistering chapter is entitled "Words Without Foundation," in which the authors ask: "Do we have any reason to believe that corporations conduct their business with candor and honesty, and provide accurate reporting to their shareholders?" Their answer, sadly, is no. The burden, they argue, will have to be on investors to display a healthy, even aggressive, sense of skepticism toward all financial reports released by publicly-traded companies. The first question investors should ask is "Have these numbers been verified, or did you just make this up for me?" The assumption must be that even the most reputable companies have somehow "dressed up" their numbers, with help from their accountants, to make themselves look better. An amusing but telling suggestion the authors make is that companies affix stickers on their financial reports with language similar to that found on right-hand mirrors on cars in the U.S: "Warning: This corporation may appear to be more capable than it is." The authors focus on five areas where they believe any hope for reform must lie: Accurate and verified communications Full disclosure of conflicts of interest Real-time accounting and real-time reporting Straightforward accounting rules Real accountability by executives. They point out where weaknesses lie and offer suggestions for how to improve performance in each area. While we may argue with their prescriptions, Elliott and Schroth succeed in jump-starting the debate over how to avoid Enrons, WorldComs and other collapses in the future. We need more than talk, however. We need a new generation of business leaders who as executives, directors, analysts and auditors, understand that their responsibilities go far beyond themselves and their bank accounts. The question is not how companies lie; it is why their executives lie. Integrity, responsibility, trustworthiness and a strong sense of ethics cannot be legislated. Without these characteristics in the boardrooms, executive suites, law firms, banks, brokerages and accounting firms, the authors will be proven right - that Enron is only the tip of the iceberg. More book reviews is on [...]

The questions investors need to ask . . . The answers corporate America must give about the true facts of corporate performance and value. During the 2001 baseball season, when games were played at Enron Field in Houston, a typical reaction was: "What the hell is Enron and what do they do?" Now we know more about the executives and inner workings of today's best-known rogue company than we ever imagined. But it turns out that Enron is just the most egregious case of a disturbing trend and the seemingly unstoppable tendency of some capitalists to destroy capitalism. Something like 50 percent of American households directly support the markets by investing in stocks and mutual funds. But some of the people entrusted with the responsibility for maintaining and managing the corporation—senior executives, boards of directors, auditing firms—have become engaged in what can only be called economic terrorism. Enron, Sunbeam, Global Crossing, and Waste Management are but the tip of the iceberg. Luckily, there are ways for investors to spot corporate smoke and mirrors and challenge the players. Larry Elliott and Richard Schroth show investors the questions that need to be asked to get a handle on the performance reality of companies. The corporate world, in turn, needs a return to reality and authenticity in business operations, finance, accounting, and deal making. This need for performance reality is not an issue confined to a few companies who engage in unethical and illegal behavior. The technological pace of change, along with increasingly complicated business transactions, makes global markets more and more complex. The assumption, however, has always been that we have the management competence and rigor to ensure shareholder value. Enron is definitive proof that the way companies are run—the gap between what they say is reality and what is really the case—is frightening. And this gap has severe implications for millions of people who are employees of and investors in these companies. Using Enron as the touchstone, Larry Elliott and Richard Schroth show investors how to think about and measure the candor of corporations, the Wall Street players, and their supporters. From the Hardcover edition.