

Slide 1



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Slide 2

**THE ECONOMY IS SO BAD THAT:**

- I got a pre-declined credit card in the mail.
- I ordered a burger at McDonald's and the kid behind the counter asked, "Can you afford fries with that?"
- CEO's are now playing miniature golf.
- If the bank returns your check marked "Insufficient Funds," you call them and ask if they meant you or them.
- Hot Wheels and Matchbox stocks are trading higher than GM.
- McDonald's is selling the 1/4 ounce.
- Parents in Beverly Hills fired their nannies and learned their children's names.
- A truckload of Americans was caught sneaking into Mexico .
- Dick Cheney took his stockbroker hunting.

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Slide 3

- Exxon-Mobil laid off 25 Congressmen.
- Motel Six won't leave the light on anymore.
- The Mafia is laying off judges.
- Congress says they are looking into this Bernard Madoff scandal. Oh Great!! The guy who made \$50 Billion disappear is being investigated by the people who made \$1.5 Trillion disappear!

**And, finally...**

- I was so depressed last night thinking about the economy, wars, jobs, my savings, Social Security, retirement funds, etc., I called the Suicide Lifeline. I got a call center in Pakistan , and when I told them I was suicidal, they got all excited, and asked if I could drive a truck.

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Slide 4

**Objective is to Give You an Insight**

- A look back into History
- The Politics that Define Our Business Environment
- Stock Price and Its Reflection of the Company Value
- A brief look at how I was involved
- Role of the Boards-The fact that they are Accountable to Themselves
- Review of How We Rewarded the Wrong Behavior
- Stranger than Fiction Facts
- Factors that affects Teams, Teamwork and the Role of Management
- Unqualified Executives
- Adaptation and Courage
- The Evolution of Risk Management
- The Role Of Leadership
- Politics and Risk Management- Management of the Wrong Objectives
- Employers Distrust of Employees
- How Does This Tie to Knowledge and Project Management
- Bottom Line Profit is Forgone for Short Term Gain
- Executive Manipulation for Self Profit
- Media and the Information Age- Enron was the first Major Case
- The Making of News Not the Reporting of Facts "Enhancing the Kool Aid"
- So How Do We Fix It?

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Slide 5

Launch complex 34 at Cape Canaveral  
Rocco Petrone, Werner von Braun, Oswald Lange, Kirt Debus and Bill Mrazek

This picture taken in April of 1966



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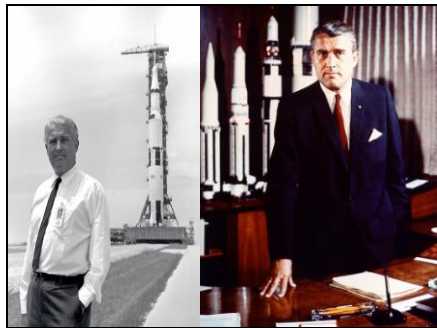
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Slide 6



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Slide 7

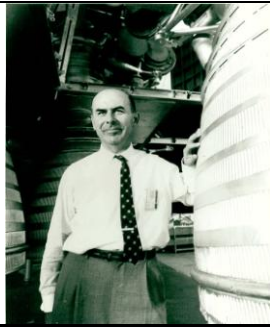
Dr. Oswald Lange  
 Director Saturn Space  
 Vehicle Office

Asked to put together the  
 definitions of a space  
 program by Wernher von  
 Braun

Father of the Moon  
 Rocket and the ABM  
 system

Pioneer in Pulse Wave  
 Detonation Engines

He was my mentor and  
 confidant, and a second  
 father




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Slide 8




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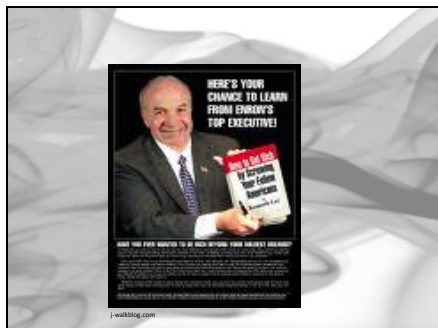
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Slide 9




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Slide 10

**\*In just 15 years, Enron grew from nowhere to be America's seventh largest company, employing 21,000 staff in more than 40 countries.**

**\*But the firm's success turned out to have involved an elaborate scam.**

**\*Enron lied about its profits and stands accused of a range of shady dealings, including concealing debts so they didn't show up in the company's accounts.**

**\*As the depth of the deception unfolded, investors and creditors retreated, forcing the firm into Chapter 11 bankruptcy**

BBC America News Thursday 22 August 2002


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Slide 11

**Enron's Implosion**

**Enron's collapse was spectacular, but the warning was very clear as early as the end of 1999. This is a classic example of an uncontrolled share price rate increase, followed by the share price exceeding the share price capacity, chaos and then collapse. This stock was "too good to be true". Up until 1999, this was a consistent and excellent investment, but speculators should have sold the stock in 2000. Everyone got caught up in the moment and celebration of false excellence.**

BBC America News Thursday 22 August 2002


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Slide 12

**The last rally followed CEO Kenneth Lay's advice to employees to buy stock, although he had been selling, recovering \$16.1 million from sold shares. A strong company would have recovered, starting from a much lower but viable share price, but Enron had hidden billions of dollars in debts and operating losses through complex accounting schemes. Once these became known, investors disappeared. Rapid rises in share prices beyond the historical average push the share into chaos and carry extremely high risks for the company and shareholders.**

BBC America News Thursday 22 August 2002


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Slide 13



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Slide 14

**So Why Did No One Pick Up the Facts before the Collapse?**

- Enron was the shining star of the energy industry
- Much of what had been done was covered up by the actions of Skilling and Fastow and they exited the company
- The "Mark to Market Accounting" used overvalued the cash value of the company by multiples
- The rapid rise of the stock price was welcomed instead of questioned
- The Board was either duped or so overjoyed with the stock price that they failed to govern
- Ken Lay either knew what was evolving or had no checks and balances in place
- Power and Greed drove the manipulation at a frenzy and other companies drank the "Kool Aid"

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Slide 15

**Congressional Hearings**

**Three senior executives did testify:**

- **Joseph Berardino:** Andersen's chief executive, vigorously defended his firm role in the affair.
- **Jeffrey Skilling:** Enron's chief executive in the first half of 2001 denied knowing anything was wrong at the firm
- **Sherron Watkins:** Enron employee and "whistleblower" of the scandal. She claimed that Ken Lay was "duped" and placed the blame on Jeffrey Skilling and Andrew Fastow.



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Slide 16

**Two senior executives did not testify:**

- Andrew Fastow:** Former chief financial officer, sacked as the scandal unfolded, and alleged author of the deceptive accounting practices. Provided testimony against Skilling after his wife was implicated.
 
- Kenneth Lay:** Enron's former chief executive and chairman since 1986 refused to testify at the last moment after saying he had been pre-judged. Died under mysterious circumstances before being sentenced for his role in the scandal and downfall of the company.
 

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Slide 17

**•The sad thing is that everyone wanted to be "Just Like Enron".**  
**•Other Companies had to make changes in their business model as the result of the Enron Scandal.**

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Slide 18

**So What Issues Arose Out of the Enron Scandal**

- Distrust of employees and employers on management of retirement funds and Corporate Assets
- Role of **Unqualified Executives** Questioned
- Role of **Boards**-Specifically the fact that they seem to be **Accountable only to Themselves**
- The Fact that Corporations were **Rewarding the Wrong Behavior** i.e.: The Stock Price and Short Term Profits at the expense of the Long Term Viability of the Corporation
- **Bottom Line Profit is forgone for Short Term Gain**
- The Manipulation of Corporate Goals to Serve Executive Short Term Goals and Personal Gain
- The Fact that all of the energy companies wanted to emulate Enron
- **Sarbanes-Oxley Act**

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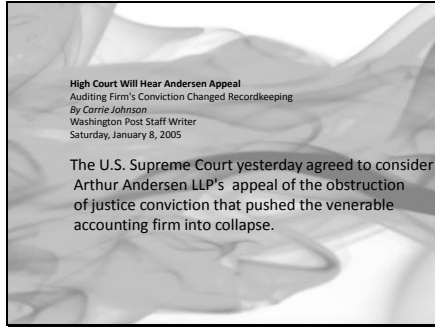


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Slide 19



**High Court Will Hear Andersen Appeal**  
Auditing Firm's Conviction Changed Recordkeeping  
By Carrie Johnson  
Washington Post Staff Writer  
Saturday, January 8, 2005

The U.S. Supreme Court yesterday agreed to consider Arthur Andersen LLP's appeal of the obstruction of justice conviction that pushed the venerable accounting firm into collapse.

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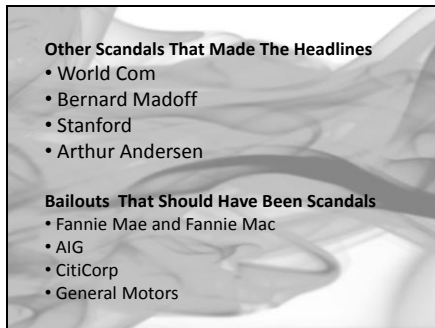
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Slide 20



**Other Scandals That Made The Headlines**

- World Com
- Bernard Madoff
- Stanford
- Arthur Andersen

**Bailouts That Should Have Been Scandals**

- Fannie Mae and Fannie Mac
- AIG
- CitiCorp
- General Motors

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Slide 21



**What Did All of These Scandals Have In Common**

- Naked Shorting of the Stock
- Arrogance of the executives
- Greed
- Caught When They Ran Out of Money or Stock Collapse
- In Each Case the Executives were Rewarded for the Wrong Behavior

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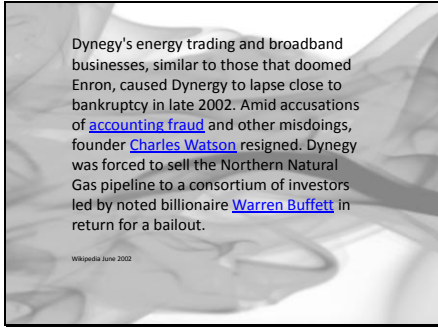
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Slide 25



Dynergy's energy trading and broadband businesses, similar to those that doomed Enron, caused Dynergy to lapse close to bankruptcy in late 2002. Amid accusations of [accounting fraud](#) and other misdoings, founder [Charles Watson](#) resigned. Dynergy was forced to sell the Northern Natural Gas pipeline to a consortium of investors led by noted billionaire [Warren Buffett](#) in return for a bailout.

Wikipedia June 2002

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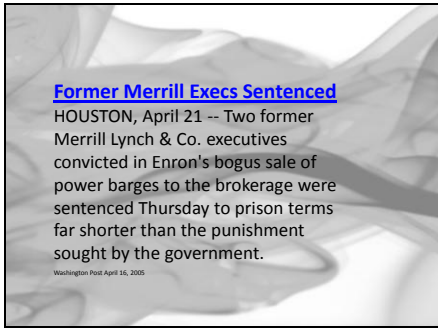
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Slide 26



[Former Merrill Execs Sentenced](#)  
HOUSTON, April 21 -- Two former Merrill Lynch & Co. executives convicted in Enron's bogus sale of power barges to the brokerage were sentenced Thursday to prison terms far shorter than the punishment sought by the government.

Washington Post April 18, 2005

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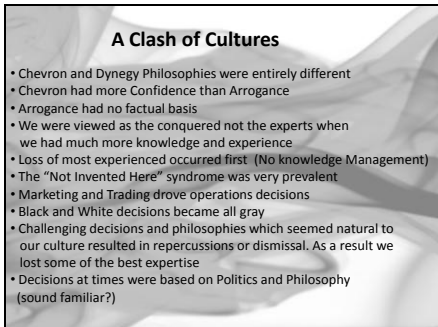
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Slide 27



**A Clash of Cultures**

- Chevron and Dynergy Philosophies were entirely different
- Chevron had more Confidence than Arrogance
- Arrogance had no factual basis
- We were viewed as the conquered not the experts when we had much more knowledge and experience
- Loss of most experienced occurred first (No knowledge Management)
- The "Not Invented Here" syndrome was very prevalent
- Marketing and Trading drove operations decisions
- Black and White decisions became all gray
- Challenging decisions and philosophies which seemed natural to our culture resulted in repercussions or dismissal. As a result we lost some of the best expertise
- Decisions at times were based on Politics and Philosophy (sound familiar?)

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Slide 28

**Observations from the Experiences**

- Ethics have been Compromised
- Politicians and Business Executives today exhibit many of the same traits
- Mentoring is a lost art
- Experience is not valued the way it was in previous years, the "MBA" syndrome
- Greed along with stock price drive short term decisions that have long term effects
- Leadership has been redefined
- Academia is out of touch with reality
- Political correctness environment is not conducive to producing leaders
- Incentives reward the wrong behavior
- There is a huge difference between data and knowledge
- Mark to Market Accounting distorts stock value

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Slide 29

**So How Do We Fix This ?**

- Accepting Leadership
- Being Responsible
- **Being responsible sometimes means pissing people off**

© 2011, Galen Peters | Founder of Leadership

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Slide 30

**Definition of Knowledge Management**

Knowledge management is the science of turning data to knowledge and coupling it with wisdom to preserve and transfer both the process and usable data.

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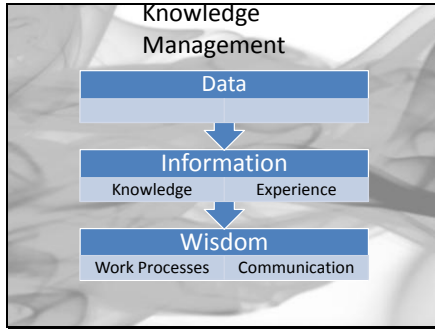
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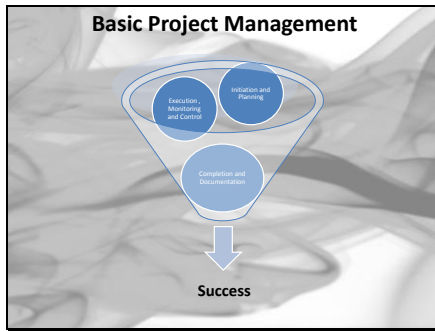
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Slide 32



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Slide 33

**Knowledge Management and Project Management are Joined at the Hip**

- Knowledge Management Must be Managed as a Project
- Project Management Must Include Knowledge Management
- Transfer of the Process is an Integral Part of Knowledge Management
- Must be tailored to the Industry and Include Political Environment

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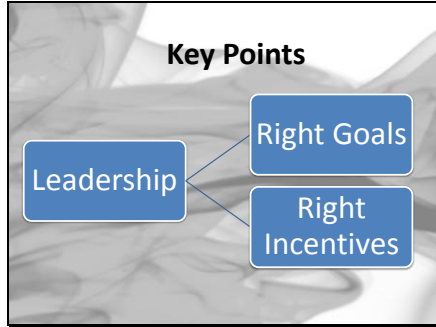
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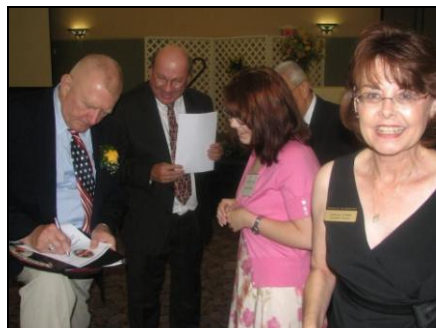
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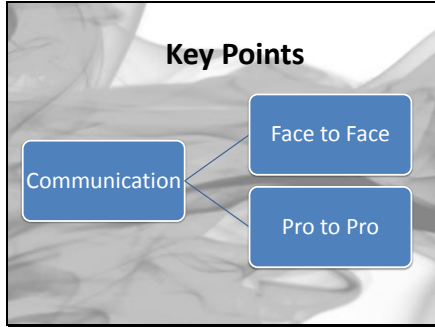
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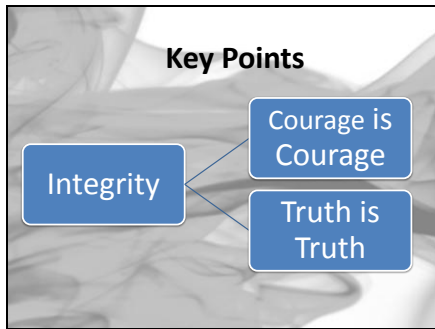
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Slide 38



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Slide 39

**So How Does This Relate to Knowledge and Project Management?**

- Governing and management depend on the correct knowledge being available
- Leadership is absolutely necessary to the success of any organization, ( Includes both business and politics)
- Communications is the methodology to transfer the orders, requests and knowledge
- Data must be turned into Information which leads to knowledge, that when coupled with experience leads to wisdom
- If you can accomplish these tasks you have the basis for KPM which is why we are all here today

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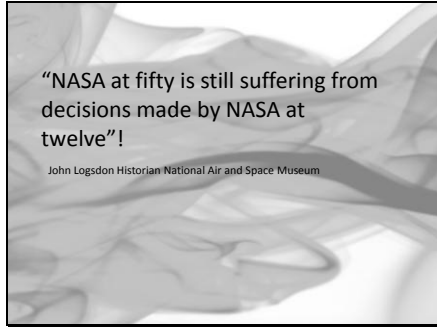
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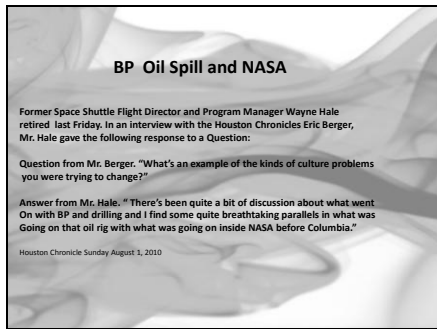
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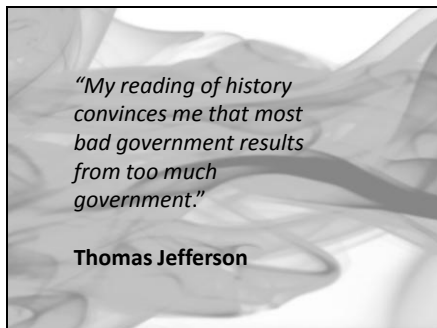
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Slide 42



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Slide 43



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Slide 44



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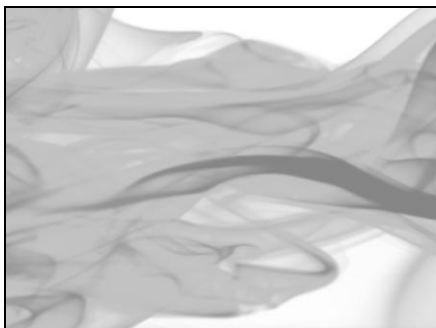
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Slide 45



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