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Charismatic leadership and corporate cultism at Enron:

The elimination of dissent, the promotion of conformity and organizational collapse

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Abstract

Enron stands out as one of the most spectacular failures in business history. Thus far, most attention has been focused on its accountancy practices. This paper, by contrast, explores its internal culture and the leadership practices of its top people. These included a particular emphasis on charismatic leadership, particularly in the persons of Kenneth Lay and Jeffrey Skilling; the promotion of a compelling vision by these leaders, of a totalistic nature; individual consideration, expressed in a recruitment system designed to activate a process analogous to conversion; and the promotion of a culture characterized by conformity and the penalizing of dissent. Drawing on the vast archive of material now available on Enron, and in particular on the best known accounts of former employees, the paper discusses to what extent Enron can be usefully regarded as an example of a corporate cult. Finally, the discussion is located in the context of emerging trends in business and leadership practice, and considers the extent to which what happened in Enron is suggestive of a growing business phenomenon.

Introduction

On the eve of its bankruptcy in 2001, Enron declared its intention to become the world's leading company. At that stage, by some measures of turnover, it was the seventh largest company in the US (Gordon, 2002) and was at one point valued at $70 billion by the stock exchange (Steiger, 2002). Thus, the scale of its ambition had some credibility. But its demise may instead ensure that its fate is to become the most analysed case study of failure in business history. Myriad analyses have now been published, outlining its trading practices (Steiger, 2002), exploring the implications for the communication aspects of business ethics (May and Zorn, 2003) and ethics more generally (Peppas, 2003), its likely impact on business education (Dean, 2003), the challenges posed for the accounting profession (e.g. Semple, 2002; Copeland, 2003; Holt and Eccles, 2003; Tinker, 2003), implications for the role of non-executive directors (Peaker, 2003) and the role more generally of corporate governance (Vinten, 2002; Weidenbaum, 2002). Trust in visionary leaders is among the most immediate casualties of the Enron debacle (Kendall, 2002). More widely, it has resulted in a crisis of confidence in corporations (Jenkins, 2003).

This paper does not recapitulate the now familiar story of its meteoric rise and spectacular fall. Rather, it addresses a major gap that remains in the literature. In particular, while it has been noted that the Enron scandal highlights 'a recurring communication dysfunction within the organizational structure of the corporation itself' (Cohan, 2002, p.276), relatively little attention has been focused on what the culture of the organisation demonstrates about the dark side of charismatic leadership. Thus, although *The Economist* suggested in June 2000 that Enron could be viewed as 'some

sort of evangelical cult' (Sherman, 2002, p.25), the idea has not been systematically explored in the academic literature. This paper therefore discusses the nature of cults and cultic leadership, and explores the extent to which the role of Enron's leaders was consistent or otherwise with the characteristics identified. Finally, the discussion is located in the context of the changing roles of CEOs more generally, and the extent to which what can be defined as corporate cultism is becoming a more common characteristic of organisational life.

This paper draws on the academic literature on the cultic phenomenon, which has, however, rarely been applied to the corporate world. Information on Enron is derived from the vast archive of material now published on the organisation – in particular, on the key accounts of former employees, as exemplified by Cruver (2003), Swartz and Watkins (2003) and Watkins (2003a.b.). Other accounts have proliferated in the mass media and business press, and are broadly consistent with the sources highlighted in this analysis. Organisations can be viewed as narrative spaces, in which stories and accounts are employed by all participants to facilitate the process of sensemaking (Gabriel, 2004). It is therefore useful to examine the narrative structures developed by former Enron employees, to ascertain both their understanding of what facts matter most and identify the most pertinent interpretations they attach to those facts. As Gabriel (2000) has also pointed out, narratives are constructed with the aid of a number of interpretative devices or poetic tropes that are concerned with attribution – e.g. the attribution of responsibility, blame and credit, the attribution of causal connections and the attribution of agency. Thus, the accounts of organisational actors cannot be read simply to discover an invariable and unyielding objective truth about organisations, but rather to explore their meaning for the actors involved. However, in line with interpretivist approaches to

organisational discourse, interpretations of texts, stories and narratives are also informed by such factors as 'the interpreter's own frame of reference' (Heracleous, 2004, p.176). In this case, the paper applies a conceptual framework drawn from the general literature on both cultic organisations and transformational leadership, and analyses the narrative constructs of others to ascertain to what extent their accounts of facts, intention and agency can be better understood from within that particular analytic framework.

Thus, the approach adopted involves the close study of a number of texts which have had a particularly strong impact on the debate about Enron. For example, Sherry Watkins, who is generally regarded as the main whistleblower that brought Enron's problems to public attention, has been honoured by the US Academy of Management for her contribution, been interviewed in the *Academy of Management Executive* and published in the *Californian Management Review*. Her accounts are strikingly consistent with those of Cruver, also used here as a key source of information about the organisation's internal culture. Other data are drawn at various points from the general academic literature on the topic. Many researchers have critiqued aspects of Enron's management system, such as its 'rank and yank' appraisal mechanism, but in general have neglected to consider the extent to which the practices they describe could be better informed by the general literature on charismatic leadership and cultism. However, their data is also utilised in the present argument. Enron is too complex a story to avail of one single explanation for its rise and fall. With that caveat, this paper highlights an important but still under explored aspect of the Enron saga, and one that has wider implications for the role of leadership in most business organisations.

CHARISMATIC LEADERSHIP AND CULTS

A widely used definition characterizes cults as 'A group or movement exhibiting great or excessive devotion to some person, idea or thing, and employing unethical manipulative or coercive techniques of persuasion and control… designed to advance the goals of the group's leaders, to the actual or possible detriment of members, their families or the community' (AFF, 1986, p.119-120). Typically, cults have a shared commitment to a charismatic leader and uphold a transcendent ideology, the nature of which varies dramatically from group to group but which is as likely to be secular in nature as it is religious (Lalich, 2004). A cult's leader therefore possesses enormous authority in the eyes of his or her followers. Having invested many of their hopes for a better life in the leader, followers are intrinsically motivated to look positively on the leader's words and actions. The resulting high commitment of members is usually expressed in Stakhonivite work norms which mean that the group environment virtually monopolises their time. Members also replace their pre-existing beliefs and values with those of the group, lose confidence in their own perceptions in favour of those of the group's leaders, and experience social punishments such as shunning by other members if they deviate from carefully prescribed norms (Langone, 1995; Singer, 1987). Conformity is critical. The outcome is an environment dominated by what has been described as 'bounded choice' (Lalich, 2004) – i.e. one in which the expression of only a limited and tightly regulated repertoire of beliefs, behaviours and emotions is permissible.

Overall, the following key ingredients of cultic dynamics, which mirror the defining traits of transformational leadership, have been identified in the literature (Tourish and Pinnington, 2002):

1. *Charismatic leadership* (which may reflect some innate qualities on the part of the leader, but may just as easily be a socially engineered construct in the minds of the followers, and thus constitute an attributional phenomenon);

2. *A compelling vision/ Intellectual stimulation* (the vision being of a transcendent or totalistic character, capable of imbuing the individual's relationship to the organization with a sense of higher purpose. Meanwhile, intellectual stimulation is aimed at motivating followers to intensify their efforts in support of the vision, compellingly articulated by the group's leaders);

3. *Individual consideration* (or a feeling that the followers' interests are being attended to, and perhaps that they are in some way important to the charismatic leader, leading to a process of recruitment/initiation, conversion and indoctrination);

4. *Promotion of a common culture* (a set of norms which specify particular attitudes and forms of behaviour deemed to be appropriate. Within cults, these also minimize the expression of dissent, other than within carefully controlled limits, and hence produce a punitive internal environment).

Each of these is now considered in-depth, and the extent to which they were at play within the Enron organization is explored. The dominant traits of cults are also outlined in Exhibit One, alongside a summary of Enron's internal cultural dynamics that operate in parallel to them.

Insert Exhibit One here

1. CHARISMATIC LEADERSHIP, DISSENT AND LEADERSHIP PRIVILEGES

Leaders often possess and dramatically communicate 'a vision' for their organization. A vision has been defined as a mental image that a leader evokes to portray an idealized future state (Conger, 1989). Equipped with a compelling vision, charismatic leaders can have a 'profound and extraordinary effects on followers' (House and Baetz, 1979, p.339). Clearly, these effects may be individually benign and/ or socially useful. But they may also be individually harmful and/ or socially destructive. It is therefore not surprising that charismatic leadership has been described as a recurrent dynamic in all manner of cults, including doomsday cults in the 1950s (Festinger, 1957), the infamous Jonestown cult of the 1970s (Layton, 1999), the suicidal Heavens Gate cult in California during the 1990s (Lalich, 2004), and in the homicidal Aum cult in Japan (Lifton, 1999). Leaders in each of these groups articulated a compelling 'vision' that motivated their followers to display extraordinary levels of commitment and adopt behaviours, values and attitudes at odds with most people's sense of normalcy, and which in many cases proved terminal.

Given its potency, the importance of 'vision' has been increasingly stressed in the business world, in a growing volume of largely uncritical practitioner and academic literature (e.g. Collins, 2001). The intention is that followers should become highly committed to the leader's mission, make significant personal sacrifices in the interests of the mission, and perform beyond the call of duty (Shamir et al., 1993). These theories highlight such effects as emotional attachment to the leader on the part of followers, greater emotional and motivational arousal, increased follower commitment to the mission articulated by the leader, and enhanced confidence in the leader. Leaders therefore often build their charismatic reputation around the energetic communication of

a vision, designed to solicit ever higher levels of compliance from followers (e.g. Biggart, 1989).

But the risks are considerable. In particular, Maccoby (2000) suggests that many charismatic leaders are narcissists. They have a strong need for power, high self-confidence and strong convictions (De Vries et al., 1999). However, whatever their virtues, narcissists tend to be overly sensitive to criticism, can be poor listeners, lack empathy, have a distaste for mentoring and display an intense desire to compete (Maccoby, 2000). In addition, Conger (1990, p.50) has argued that charismatic leaders may find themselves prone to:

'Exaggerated self-descriptions.

Exaggerated claims for the vision.

A technique of fulfilling stereotypes and images of uniqueness to manipulate audiences.

A habit of gaining commitment by restricting negative information and maximizing positive information.

Use of anecdotes to distract attention away from negative statistical information.

Creation of an illusion of control through affirming information and attributing negative outcomes to external causes.'

The consequences include the elimination of dissent (and therefore the promotion of a homogenous and insular group mentality, conducive to cultic norms); the accumulation of power at the center; a failure to sufficiently consider alternative courses of action, when they appear to conflict with a centrally ordained and inspirational vision; and a growing belief on the part of the leader that, other evidence notwithstanding, he or she is

indispensable to the organization's success. Despite their attraction for many leaders, there is a high risk that such approaches ultimately invite failure. Grint (2000, p.420) has pointed out that the most successful leaders are liable to be those with the least compliant followers, 'for when leaders err – and they always do – the leader with compliant followers will fail.' Thus, debate and dissent are indispensable for effective decision making. However, such notions run counter to many of the norms of much leadership practice and theory – and are rarely to be found in cults. It remains to consider how they fared within Enron.

The case of Enron

There is ample evidence that Enron's leadership aimed at creating an aura of charisma around themselves, and that in consequence they evinced each of the major defects identified by Conger (1990). The following quotation from a *Fortune* magazine article published in April 2000 is typical of how Enron leaders saw and projected themselves:

> 'Imagine a country-club dinner dance, with a bunch of old fogies and their wives shuffling around half-heartedly to the not-so-stirring sounds of Guy Lombardo and his All-Tuxedo Orchestra. Suddenly young Elvis comes crashing through the skylight, complete with gold-lame suit, shiny guitar, and gyrating hips… In the staid world of regulated utilities and energy companies, Enron Corp. is that gate-crashing Elvis' (quoted in Sherman, 2002, p.23).

Consistent with their image in the business press, Enron's leaders engaged in ever more dramatic forms of self promotion. It may be a stretch to imagine Kenneth Lay, a middle aged businessman, as a latter day Elvis. Nevertheless, he was also described by *Fortune* magazine as a 'revolutionary'. Jeffrey Skilling was equally adept at promoting a

charismatic self image. Consistent with a company wide dramaturgical predilection for Star Wars analogies, Cruver (2003. p.10) recounts that he was known internally as Darth Vader, 'a master of the energy universe who had the ability to control people's minds. He was at the peak of his strength, and he intimidated everyone. He had been lured over to the Dark Side from McKinsey & Company in 1990'. He dressed for the part at company gatherings, referred to his traders as 'Storm Troopers' and decorated his home in a style sympathetic to the Darth Vader image (Schwartz, 2002). Skilling was also sometimes known as 'The Prince', after Machiavelli. New recruits were instructed to read The Prince from beginning to end, or be eaten alive (Boje et al, 2004). Dramatic nomenclatures were not uncommon. Another senior executive, Rebecca Mark, became known as 'Mark the Shark', with all its attendant overtones of predatory aggression and greater competitive power (Frey, 2002).

This tone appears to be typical of the unusually charismatic and extremely powerful image which Lay and Skilling, in particular, attempted to promulgate at every opportunity. It was clearly part of an intense dramaturgical effort designed to project an unusually alluring spectacle, and thereby convince people that they belonged to a cause far greater than merely being part of a business or working for a living. Hagiographic accounts of their accomplishments were correspondingly widespread, including in an influential book by Hamel (2000), entitled appropriately enough 'Leading the Revolution'. Faculty at the prestigious Harvard Business School produced eleven case studies into Enron, uniformly lauding its 'successes' and commending its business model to others.

Within cults, leaders tend to live in extraordinary wealth – a disparity which is used to reinforce the impression that the people concerned have extraordinary abilities, insight and charisma. Opulence certainly characterised the lifestyle enjoyed by Enron's top executives. For example, Kenneth Lay had Enron pay $7.1 million for a penthouse apartment, which he and his wife converted into a Venetian palace with dark woods, deep velvets, period statuary, and a vaulted brick ceiling in the kitchen (Swartz and Watkins, 2003). The implication was that others could some day hope to obtain similar privileges for themselves – providing they embraced the value system and vision articulated by the leaders, emulated their behaviours and suppressed whatever critical internal voices occasionally threatened to surface.

It thus became a further means of enforcing conformity with the vision of the charismatic leader, and obtaining enthusiastic demonstrations of support for whatever the general direction of the organisation was proclaimed to be.

2. COMPELLING VISION – INTELLECTUAL STIMULATION

Typically, cults are organized around what has been defined as a 'totalistic' (that is, all embracing) vision of a new world order, way of being or form of organisation. The group's leaders suggest that their vision is capable of transforming an otherwise impure reality. It constitutes an inspirational new paradigm. Converts, dazzled by the spectacle, develop a mood of absolute conviction. This immunizes them against doubt. No evidence is ever judged sufficient to falsify the belief system in question. Such moods have been defined as 'ideological totalism' (Lifton, 1961). The messianic leader of the organization seeks ever more enthusiastic expressions of agreement from the organization's members.

Dissent is resistance to be overcome, rather than useful feedback. Plausibility is often simply a question of uncontested belief. Hence, consistent with the principle of consensual validation (in which the spectacle of many agreeing to a position irrationally convinces each person that it must be accurate), the absence of feedback loops reinforces belief in the sacred vision of the leader.

Thus, a corporate vision whose truth is held to be self evident, which is complex in both form and function, whose tenets cannot be questioned, and whose acceptance is assumed to be indispensable for the organization's salvation has the potential to provide considerable intellectual stimulation, and unleash passionate forms of ideological totalism.

The case of Enron

Enron's vision was secular in nature, but within that framework became all encompassing. In essence, it promised people heaven on earth. If the company were to achieve its goals, unimagined wealth and happiness would be the lot of those fortunate enough to be employees at the time. This frequently led to hubris. The company's annual report for 2000 typified the tone of fantasy increasingly emanating from those at the top:

'We believe wholesale gas and power in North America, Europe and Japan will grow from a $660 billion market to a $1.7 trillion market over the next several years. Retail energy services in the United States and Europe have the potential to grow from $180 billion to $765 billion in the not-so-distant future. Broadband's prospective global growth is huge – it should increase from just $17 billion today to $1.4 trillion within five years. Taken together, these markets present a £3.9 trillion opportunity for Enron, and we have

just scratched the surface' (cited by Cruver, 2003, p.45). Around this time, Enron draped a huge banner at its entrance, proclaiming its latest vision – 'FROM THE WORLD'S LEADING ENERGY COMPANY – TO THE WORLD'S LEADING COMPANY.' Such hyperbole was a normal part of Enron's discourse. Craig and Amernic (2004) have highlighted numerous examples of its presence in letters to shareholders, which as they point out also made use of the language of war, sport and extremism, to reinforce the potency of what was a compelling and totalistic vision of the most dramatic kind. Extraordinary goals, set by the leaders, encourage group members to regard their group as being particularly special and engender a sense of privilege and uniqueness among those who belong (Lalich, 2004), as do images of the organisation being at war with everyone else.

The wealth that could be made within Enron further encouraged feelings among employees that they faced a much more exalted destiny than that of people who worked for other companies. For those who achieved their goals, huge bonuses were available – to such an extent that Houston's luxury car dealers habitually visited Enron to exhibit their products every bonus period (Prentice, 2003). Largesse was also extended to employees' families. The prevailing philosophy, as Cruver (1003, p.191) summarised it, was that 'If you were smart enough and tough enough to work at Enron, you deserved to live like last year's Oscar winner.' The consistent message to employees was that they were the brightest and the best, that they were greatly favoured by being selected to work at Enron, and that they were now charged with an evangelical mission of transforming how business conducted itself in the world. All accounts describe it as an intensely stimulating environment – to the point where many wondered how they could ever bear to work anywhere else again (e.g. Cruver, 2003). For those who bought into such

messages, it followed that extraordinary, and almost cultic, levels of commitment were required.

Thus, work regimes of up to eighty hours a week were regarded as normal. Employees sacrificed their today in the hope of a better tomorrow. But, given the demands, 'Skilling hired people who were very young, because very young people did not insist on coming in at nine or leaving at five, or on keeping things as they had always been, or, for that matter, on questioning authority once they had signed on with him' (Swartz and Watkins, 2003, p.58). As with other organisations which could be regarded as cults, a totalistic vision may offer plentiful intellectual stimulation. But such visions also imply high levels of social control. As Lalich (2004, p.18) observed: 'In identifying with the group, members find meaning and purpose and a sense of belonging. This is experienced as a type of personal freedom and self-fulfilment. Yet that freedom is predicated on a decrease in personal autonomy, manifested in continuous acts of ever-increasing self-renunciation.' Those affected experience a diminished capacity for critical reflection. Specifically, in the context of Enron, Swartz and Watkins (2003, p.58) comment as follows on the widely held belief that hard work now might buy a liberated future: 'That the single-minded pursuit of money might be self-limiting in other, psychic ways was not really considered.' The problem is that unbounded commitment to career development encourages people to 'treat all organizational, social and even personal relations as instrumental to career progress' (Collinson, 2003, p.537). In essence, their sense of who and what they are becomes indistinguishable from the corporate environment and the priorities decreed by its leaders – a personality transformation, it should be noted, that is greatly valued by cult gurus of all persuasions. It is also a mindset which is increasingly

promoted by corporate leaders, and one that leaves those who adopt it much more liable to escalate their commitment beyond any point of rationality.

3. INDIVIDUAL CONSIDERATION, 'LOVE BOMBING' AND THE PROCESS OF CONVERSION

Recruitment is clearly vital for cults, since the expansion of their influence requires a growing army of enthusiastic disciples. The problem is that the prospective recruit's resistance is likely to be at its highest immediately before they join. They have yet to buy into the belief system or invest much energy in pursuit of the group's goals, and they still have plentiful other choices. The challenge is to recruit and initiate people into the group, engage a process of conversion and then reinforce it with indoctrination. How is this accomplished, and to what extent did similar practices prevail at Enron?

Recruitment/ Initiation

Cults usually recruit people through a two-pronged process characterised by intense and emotionally draining recruitment rituals on the one hand, and what has been described as 'love bombing' (Hassan, 1988) on the other. In terms of rituals, a process is engaged that may stretch over several days, which exposes the would-be recruit to powerful messages from the leader, which requires them to express ever greater levels of support for the leader's insights, and which may involve the person adopting behaviours that might otherwise seem irksome and certainly strange. The process has been described as a roller-coaster, with potential recruits soaring to emotional highs and then experiencing mood collapses which, in total, leave them ever more vulnerable to the messages of its leaders (Tourish and Wohlforth, 2000). Research into group dynamics has long established that

when we endure particular initiation rituals or experience discomfort to join, we are then more inclined to exaggerate the benefits of group membership and to intensify our sense of commitment as a means of establishing that we belong to the group (Aronson and Mills, 1959). Emotionally debilitating recruitment rituals, assuming that the potential recruit has some intrinsic motivation for looking positively on the group, are likely to have precisely this effect.

However, pressure alone does not suffice. Love bombing is also crucial, with the implied promise that that if the recruit merely accedes to the high demands of the group they will receive the beneficent regard of the leader and other members of the organisation. Thus, cult leaders make great ceremony of showing individual consideration for their members – at least, immediately before and after they join. Prospective recruits are showered with attention, which expands to affection and then often grows into a simulation of love. This is the courtship phase of the recruitment ritual. The leader wishes to seduce the new recruit into the organization's embrace, gradually habituating them to its rituals and belief systems. Individual consideration overcomes moods of resistance, by blurring distinctions between personal relationships, theoretical constructs and bizarre behaviours. Nor is most people's receptiveness to such tactics at all surprising. As an early researcher into interpersonal attraction and influence expressed it (Jones, 1990, p.178)

'There is little secret or surprise in the contention that we like people who agree with us, who say nice things about us, who seem to possess such positive attributes as warmth, understanding, and compassion, and who would 'go out of their way' to do things for us.'

The problem is exacerbated by status differentials. Normally, a person of lesser status attaches more importance to being liked by those of higher status than the other way round (Rosenfeld et al., 1995). Within cults, and certainly within most corporations, status differentials between leaders and followers are both manifest and growing. For example, in 1991, 'the standard big-company CEO in the US earned 140 times the pay of the average worker; the multiple is now nearer 500 times' (Haigh, 2003, p.5). Individual consideration from such figures – the message that the new recruit is positively valued and very much wanted - increases the person's tendency to affiliate, conform and engage in yet further behaviours consistent with well established group norms.

Conversion

When someone responds to intense individual consideration from higher status leaders, and is desperate to affiliate with them, the outcome of their shift in attitudes can be regarded as conversion. It occurs when a person experiences fundamental changes of knowledge and beliefs, values and standards, emotional attachments and needs, and of everyday conduct (Lewin, 1948; Lalich, 2004). New dress codes, behaviours, beliefs and modes of being are embraced. Each reinforces the other. A new dress code is likely to encourage the adoption of behaviours normally associated with the dress code; novel behaviours strengthen the attitudes that underpin them; the overall effect is, frequently, what outside observers come to see as a fundamental personality transformation, or new mode of being, on the part of the person concerned.

Indoctrination

The convert mentality is then reinforced within the cultic environment by a process of indoctrination. Indoctrination occurs through the one way transmission of intense

messages from leaders to followers that require ever greater levels of devotion to the group ideal, and which are designed to instil into the recruit a feeling that being accepted into the group is a particular privilege that makes him or her a member of a special elite. Thus, recruitment/ initiation, conversion and indoctrination are all vital stages in the cultic experience, and are sustained through the impression of individual consideration by the group's leaders. The question is: to what extent were they prevalent within Enron, and to what extent do they characterise the wider corporate environment?

The case of Enron

Recruitment/ Initiation

Recruitment at Enron was a particularly gruelling procedure. Fusaro and Miller (2002, p.49) reported that job candidates '…had to demonstrate that they could maintain high levels of work intensity over an extended period of time. Some have compared the work environment and high employee intensity at Enron to that of a top law firm, which is typically filled with brilliant young associates willing to do whatever it takes to make partner.' It was clear that those selected would be required to devote most of their waking hours to their new life as Enron employees. In this regard, as has already been highlighted, Enron certainly delivered on expectations. After the initial interview, they then attended a second interview on one of three to five "Super Saturdays" that were held at Enron's Houston office. Candidates were interviewed for 50 minutes by eight different interviewers in succession with one 10-minute break – an emotionally intense experience for all. Initially, prospective employees staged a dramatic performance designed to convince the recruiter that they view the company's vision with the mindset of True Believers, even if they felt doubts – a normal aspect of impression management during selection interviews. However, performance has hazards. As Goffman (1959, p.28)

stressed, '…one finds that the performer can be fully taken in by his own act; he can be sincerely convinced that the impression of reality which he stages is the real reality.' The further emulation of organisational rituals heightens the effect. For example, Kunda (1992) demonstrated, in an ethnographic study of a hi-tech American corporation, how such rituals are developed by leaders to inculcate the 'right beliefs'. Employees then play along with them, rather than reveal what might be described as a 'bad attitude.' But this renders them liable to internalise the values behind the rituals – even if they have initially resisted them. In essence, like a Method actor over preparing a part, the person internalises a role to such an extent that they become indistinguishable from their performance. Within Enron, there was intense pressure to participate in a whole variety of rituals – including those associated with ostentatious consumption – and which had precisely these effects.

Conversion

It is thus likely that, within Enron, the dramaturgically focused selection process and subsequent induction into a high performance work environment initiated a process analogous to cultic conversion, in which prospective employees

- needed overwhelming levels of intrinsic motivation to persevere

- found themselves exposed to a high demand environment, in which it was made clear that those selected would be required to display further levels of inordinate commitment

- were exposed to the notion that membership of the Enron team represented a particular privilege, but also imposed unusually high obligations

- were presented with the 'vision' proclaimed by Enron's leaders, and required to frequently express their solidarity with a dominant and centrally ordained corporate philosophy.

All this was reinforced by various versions of love bombing – once the person was selected, and agreed to join, the organisation. As many have noted, Enronians were frequently told, and came to believe, that they were the brightest and best employees in the world. They were certainly well rewarded, and were the eager recipients of a great deal of company largesse. For example, many had access to company credit cards, on which they were encouraged to charge their prostitution expenses (Fusaro and Miller, 2003). Providing they performed to a high standard, they could count on an unlimited benevolent attitude from Enron's leaders.

Indoctrination

What can be viewed as indoctrination, flowing from the organisation's leaders, then became a normal part of life throughout the employee's Enron career. The further one ascended the hierarchy, the more one was exposed to it. A typical example can be found in the company's 1999 management conference, as described by Swartz and Watkins (2003, p.7). They reported that the then CEO, Jeffrey Skilling, turned the event into 'a grim tutorial on "growing earnings" or, in layman's terms, boosting profits… the Hyatt's ballroom felt like a reeducation camp, as every speaker stressed the new corporate dogma, which was that Enron's hard assets could no longer be depended on to keep the stock price rising at Skilling's desired rate of 20 percent a year.... Enron's mandate was to become more nimble, more flexible, more innovative – or else. The speakers… had

droned on about that mission for hours. Most of that day, Skilling prowled the perimeter of the ballroom, making sure that his acolytes were, in his words, "getting it"'.

In this, and other accounts of Enron, communication emerges as essentially one way – from the organisation's top leaders, to those at the bottom. Its purpose was to reinforce the demanding goals set by Enron's leaders. Corrective feedback was not sought. In fact, it was stifled. The purpose was simply to transmit a new corporate code, and ensure its rapid implementation. People were expected to escalate their commitment, and transform their attitudes to be ever more consistent with the needs of the organisation's leaders. The dynamic is similar to that of many non-corporate cults, as documented in a growing case study literature into the area (e.g. Hassan, 1988; Tourish, 1998; Stein; 2002).

4. PROMOTING A COMMON CULTURE

Much of the most influential management literature in the last two decades, inspired by the work of Peters and Waterman (1982), sold the notion of what amounts to a monolithic organisational culture, to be determined exclusively by senior managers, as the key to overall success. The importance of this resides in the notion that organizational cultures consist of cognitive systems explaining how people think, reason and make decisions (Pettigrew, 1979; 1990). If cultures can therefore be controlled by those at the top, the overall impact on people is likely to be enormous. In such schemas, the views of non-managerial employees, women and/or minorities are unlikely to be considered (Martin, 1992).

It has rarely been pointed out that the most intense organisational cultures (invariably determined by those at the top, with minimal input from below), are to be found within cults. In particular, such organisations promote all embracing cultures, decreed by the leader. These are built around totalistic world views, with which everyone is supposed to agree. The ideal state is one of monoculturism, in which difference from the vision of the leader is banished to the margins of the group's tightly policed norms. Total conformity along these lines leads to the disabling and well documented phenomenon of groupthink, an infection which thrives particularly well in the overheated atmosphere of cults (Wexler and Fraser, 1995). This is particularly relevant to the study of modern business organisations. As a growing volume of literature testifies, workplace surveillance systems increasingly seek to produce conformist (i.e. compliant and pliant) individuals in the workplace. Thus, corporate culture initiatives (Kunda, 1992), performance assessment systems (Townley, 1994), teamworking (Barker, 1993) and information gathering systems (Zuboff, 1988) have all been explored from this perspective. It has been argued that such approaches seek to regulate, discipline and control employee subject selves, while camouflaging such intentions in the more benign rhetoric of family values and empowerment (Martin, 1999).

Within systems characterized by surveillance, and in which strident demands for intense commitment becomes the norm, the demand for purity is central. This is expressed with particular sharpness within cults, where '...the experiential world is sharply divided into the pure and the impure, into the absolutely good and the absolutely evil' (Lifton, 1961, p.423). Dissent is demonized, rendering it all the more unappealing, since people quickly grasp that to associate with dissenters is to volunteer for a Salem style witch-hunt. They are constantly informed that the group's vision offers a superior insight to any other

perspective on offer. Dress codes, language, and styles of interaction are all highly regulated (Tobias and Lalich, 1994), reinforcing the monochrome environment that has come to define the members' social world. Typically, the culture is one of impassioned belief, incessant action to achieve the group's goals, veneration of the leader's vision and a constraining series of group norms designed to quell dissent. Within cults, the dominant culture is likely to be totalistic, punitive, self-aggrandizing and all embracing in its messianic scope (Tourish and Pinnington, 2002). Culture, in such contexts, becomes another form of social control (Willmott, 1993; 2003).

A further paradox within cults is that individual consideration shifts from being positive to critical in nature. As a voluminous literature testifies (e.g. Tourish, 1998), once the recruit has been 'won over', and made an intense commitment, the group seeks to ensure the further embrace of its norms, by a relentless process of criticism and attack. Individual consideration of a positive kind (Dr Jekyll) alternates with its alter ego (Mr. Hyde). Relentless criticism gradually erodes people's confidence in their own perceptions (Tourish and Wohlforth, 2000), creating a form of learned helplessness (Seligman, 1975). 'Love' – always dependent on the unconditional expression of enthusiasm for the goals of the group's leaders – alternates with abuse, in a disorienting cycle that leaves recipients feeling fearful and powerless. Context is crucial. Having made an initial commitment, possibly of a dramatic kind, recruits are motivated to engage in further behaviours consistent with the commitment originally made – the principle of commitment and consistency (Cialdini, 2001). When this blends with learned helplessness, it reinforces even further people's already strong inclination to over-identify with the norms that have been decreed by the group's leaders. The leaders, meanwhile, have adorned themselves in the garb of omniscience and infallibility. Paradoxically, and

providing it has come after a period of love bombing, criticism from such sources reinforces the person's attachment to the group's belief system and their sense of loyalty to its leaders.

Moreover, abuse generates multiple insecurities, further strengthening leadership power. Whatever its precise content, insecurity reinforces 'the construction of workplace selves and the reproduction of organizational power relations' (Collinson, 2003, p.530). In particular, it seems likely that when people are insecure about their self-identity and their status the nominal freedom of their position (after all, they retain the choice to leave) will be experienced as a form of existential angst, intensifying their sense of vulnerability. It has long been known that people have an innate tendency to conform to authority and power under a variety of conditions (Milgram, 1974). If they are rendered fearful in the manner described here, and when the most modest expression of dissent attracts punitive attention from those above, it seems even more likely that people 'might try to find shelter in the perceived security of being told what to do and what to think, viewing this as a less threatening alternative to the responsibility of making decisions and choices for themselves' (Collinson, 2003, p.531). When the group environment assumes that all change must start at the top, the leader knows best, the leader must have a compelling vision and that one unifying culture is a precondition of effectiveness, inherently cult like dynamics of the kind described here may be unleashed. It is clear that many of these assumptions are now standard features of the leadership culture in many corporate organisations.

The case of Enron:

1. 'Rank and yank', and the elimination of dissent

Side by side with largesse and ego stroking, a punitive internal culture was established, in which all that had been so painstakingly gained could be withdrawn at the whim of senior managers. As Fusaro and Miller (2003, p.51) remarked: 'Despite all the effort that Enron expended in selecting the right people to hire into the company, it was quick to fire them.' The most striking illustration of this was in the organisation's appraisal system, known as 'rank and yank'. An internal Performance Review Committee (PRC) rated employees twice a year (Gladwell, 2002). They were graded on a scale of 1 to 5, on ten separate criteria, and then divided into one of three groups – 'A's, who were to be challenged and given large rewards; 'B's, who were to be encouraged and affirmed, and 'C's, who were told to shape up or ship out. Those in the top category were referred to as 'water walkers' (Swartz and Watkins, 2003). Those in the bottom category were given until their next review to improve. In practice, however, with another 15 percent category emerging within six months sufficient improvement was almost impossible, and they tended to leave quickly. Furthermore, those in categories 2 and 3 were also now in a position where they too faced the strong possibility of being 'yanked' within the next year. A cutthroat culture was created. The overall, and distinctly cultic, impact is well summarised by Fusaro and Miller (2003, p.52):

'It is clear that Enron's management regarded kindness as a show of weakness. The same rigors that Enron faced in the marketplace were brought into the company in a way that destroyed morale and internal cohesion. In the process of trying to quickly and efficiently separate from the company those employees who were not carrying their weight, Enron created an environment where employees were afraid to express their opinions or to question unethical and potentially illegal business practices. Because the rank-and-yank system was both arbitrary and subjective, it was easily used by managers to reward blind loyalty and quash brewing dissent.'

Ultimately, cults thrive on internal aggression. The punitive internal atmosphere reminds members of the fate that awaits them should they dissent, or deliver performance below the high goals set for them by the group's leaders. In addition, by keeping members fearful of each other, their attention is further diverted from the behaviour of the group's leaders. Within Enron, it appears that the tyrannization personified by the rank and yank system unleashed what has been described, in other contexts, as the 'identification-with-the-aggressor syndrome' (Kets de Vries, 2001). This postulates that, in order to feel safer, those at the receiving end of aggression assume an aggressive posture themselves. They move from being threatened to being threatening. The catch is that 'all they accomplish is to become aggressors themselves, thus increasing the total organizational aggression' (Kets de Vries, 2001, p.81). Intense criticism aimed at individuals stresses the imagined weaknesses of the person at the receiving end rather than, for example, difficulties with the wider organisation. The rank and yank system therefore pitted employees against each other. It was clearly in every individual's interest that someone other than themselves received a poor rating. This created a strong incentive to provide poor evaluations for others while simultaneously seeking positive evaluations for oneself. Backroom deals, shifting alliances and broken promises were the norm. It also provided an incentive to conformity, and a disincentive to the articulation of dissenting voice. But there was no escaping the relentless logic of the bottom line. Whatever they did, 15% of all employees would find themselves in the lowest category twice a year, where they faced the daunting prospect of being yanked.

Clearly, the switch from affirmation to punishment within Enron meant that employees regularly received mixed messages. On the one hand, they were the cleverest and best in

the world – a form of positive reinforcement, or love bombing, that it would be hard to better. On the other, they could be branded as 'losers' (a favourite term of abuse, for those who fell at the PRC hurdle), and fired at any time. Consistent with general cultic norms, the overall effect was disorientation, an erosion of one's confidence in one's own perceptions and, most crucially, a further compliance with the group's leaders that strengthened conformist behaviour in general. Thus, mixed messages within cults are a standard means of projecting 'the illusion of choice' (Lalich, 2004, p.190), while actually intensifying control by the group's leaders. Such messages also constrain topics of discussion, further reinforcing conformist behaviours. As Werther (2003, p.569) expressed it, the ambiguities and inconsistencies of mixed messages became undiscussable within Enron. But the prevailing culture rendered 'the undiscussability of the undiscussable also undiscussable.' There were no forums where employees could communicate about such concerns, beyond whatever informal grapevines managed to survive in such a hostile climate.

Thus, within Enron, it was clear to all that dissent would not be tolerated. Anyone who queried accountancy practices was likely, at best, to be reassigned or lose a bonus (Cohan, 2002). A 1995 survey of employees found that many were uncomfortable about voicing their feelings and 'telling it like it is at Enron' (Swartz and Watkins, 2003, p.76). Cruver (2003, p.176) quotes a former senior's manager's summary of the internal culture: 'There was an unwritten rule… a rule of 'no bad news.' If I came to them with bad news, it would only hurt my career.' The example of Sherron Watkins illustrates the mindset. Watkins was a senior employee who worked with Enron's Chief Financial Officer, Andy Fastow. When she realised that the company's losses would become apparent sometime in 2003 or 2004, she drew her concerns to the attention of Ken Lay, who had stepped

back into the role of CEO. Support was not forthcoming from other senior executives, who evidently feared that to acknowledge the problems would damage their careers at Enron. Lay's own response suggests these fears were well founded. Within days of meeting with Watkins, he contacted the organization's lawyers to inquire if grounds could be found for firing her (Watkins, 2003a.b.). It should be noted that the intrinsically modest act of approaching the CEO to voice concerns is amongst the most notable acts of resistance currently on record within Enron. It is also notable that its impact was negligible. Enron's collapse was precipitated when it was compelled to knock $1.2billion off shareholder equity, rather than because of a widespread refusal to go along with its fraudulent practices or destructive culture by middle managers and employees.

2. A company of 'believers'?

In 1997, employees were interviewed about their attitudes, and, perhaps inevitably, a 'vision' was adopted in response (Swartz and Watkins, 2003)[1]. The process and its outcome illustrate particularly well the extent of a common but totalistic culture within the organisation and a widespread over-reliance on the supposedly superior insights of the organisation's leaders. The advertising agency charged with developing the new vision concluded that Enron was a company of "believers." In particular, employees had intense faith in Ken Lay and Jeff Skilling. They were also convinced that Enron employees (often dubbed 'Enronians') were the best and the brightest in the world, and they believed they were doing good by opening new markets and creating new products and services. As a result, an advertising campaign was launched, around a concept called "What We Believe." Those beliefs included "the wisdom of open markets" and "being a laboratory for innovation." A new Vision and Values team was created, which declared

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[1] The following discussion of Enron's 1997 revisioning is taken from the account of Swartz and Watkins (2003). All quotations used here can be found in their original form in their text, on pages 103-105.

that "Everything we do is about change," It added: "Change is a goal. Change a habit. Change a mind." From an outside perspective, the slogans may appear rather vacuous, as indeed are those of more well known and non-corporate cults. However, this may also be their strength. Slogans bereft of real content often enable people to read into them whatever meanings they wish, and thus ensures a much wider buy in. A video was also produced, for company wide dissemination, in which Lay proclaimed that his main objective was 'to create an environment where our employees can come in here and realize their potential.' He did not specify whether this ambition extended only to those who survived the appraisal system. As Swartz and Watkins (2003, p.103) observed: 'The whole campaign was not unlike a religious tract from a New Age megachurch, but instead of directing disciples to God, Enron hopes its congregation would be inspired to join its mission to make itself The World's Leading Energy Company.'

Cruver (2003, p.37) reinforces the impression of a corporate culture resembling that of cults. In describing the beginning of his Enron career, he observed: 'The first thing I noticed about Enron traders is that they all looked very similar: A goatee was fairly common; otherwise they maintained a clean-cut yet outdoorsy look; and if they didn't wear some version of a blue shirt every day, then it was like they weren't on the team… I recall the first time I showed up to work in a green button-down, only to realize I was *completely surrounded* by a dozen guys wearing the same blue shirt. Not just blue shirts – but the *same* blue shirt. I asked the group, "When did they hand those out?" I said it with a smile, but no one laughed.' Parallels between such a rigid corporate uniform and the uniform dress code found in such cults as the Hare Krishnas are inescapable.

Language was crucial to the process. Again, the testimony of Swartz and Watkins (2003, p.193) is typical. They describe language within Enron as follows: 'No one at Enron would ever "build consensus," they would "come to shore," as in "We have to come to shore on this," or "Are you ready to come to shore on this?" One week somebody used the word "metrics" to mean the numbers in a deal, as in "We've got to massage the metrics!" Pretty soon, everyone was using the term "metrics" and anyone who used the term "numbers" or "calculations" was a "loser," the most popular Enron label of all.' Such constricted language, baffling to outsiders, is typical of totalistic environments (Lifton, 1961), and has been observed in a huge variety of cults. As Hardy and Phillips (2004, p.299) argue, power and discourse are mutually constitutive: discourse can 'shape the system that exists in a particular context by holding in place the categories and identities upon which it rests.' Control of language within Enron, in the manner described here, played precisely this function. It engineered a uniform definition of reality, consistent with a managerially sanctioned vision of the truth. In turn, this established an increasingly conformist culture, similar to those found within cults, and in which the possibility of dissent and debate retreated ever further from the group's practice.

3. Deception, and the control of information

Typically, cult leaders have extraordinary authority, privileged access to information, and a hidden agenda of self aggrandisement that is concealed behind more idealistic statements. The dominant culture is maintained because ordinary followers are denied full information about the organisation's goals or practices, while a carefully contrived public display of righteousness by the leaders prevents detailed scrutiny of actual behaviour as opposed to avowed intentions. Consistent with this dynamic, and with what has been observed in a variety of cults, information emanating from the top within Enron

was also distorted in nature. As Lalich (2004, p.235) noted, in a comprehensive comparison of two cults: '…the vast majority of members did not know such things as where the money went or how overall strategic decisions were made. Strict policies controlled and contained information.' Information flow within Enron was indeed tightly regulated in this manner. The intended effect was to reinforce the authority of Enron's leaders. People assumed that at least the leaders knew what was happening, and that they had their followers' overall best interests at heart. Given what is known as the false consensus effect, which causes honest people to impute their honest motives to others (Prentice, 2003), it is not surprising that Enron employees tended to assume that such people as Kenneth Lay were abiding by normal accounting procedures. In reality, and again in practices that are consistent with those widely found in cults, 'there was misrepresentation of hard data, that is, concealment of debt, lying about accounting results, as well as about the stream of earnings, and the distortion of the company's future prospects' (Cohan, 2002, p.280).

A particularly ironic example of misinformation, deception and double standards within Enron can be found in its heavily promoted code of ethics, known as 'RICE' – an acronym standing for Respect, Integrity, Communication and Excellence. A 64-booklet was produced, explaining the code in depth. Kenneth Lay issued a memo on the code in July 2000, barely eighteen months before Enron declared bankruptcy, in which he concluded that 'We want to be proud of Enron and to know it enjoys a reputation for fairness and honesty and that it is respected… **Let's keep that reputation high'** (quoted in Cruver, 2003, p.333 – emphasis in the original text). As is now known, Enron's leaders disregarded the code in their daily practice – to such an extent that, to take but one of many examples, a 166-page report was published in 1999 entitled 'The Enron

Corporation: Corporate Complicity in Human Rights Violations'. It documented, amongst much else, how Enron executives paid local law enforcement officers to suppress legitimate and peaceful opposition to its power plant near Mumbai in India (Human Rights Watch, 2002). The code of ethics was thus a dramaturgical device, whose theatrical display cultivated the illusion of noble ideals and generated a convincing spectacle of ethical practice for both the organisation's internal and external audiences (Boje et al., 2004). It also helped douse whatever suspicions people may have been nurturing about the behaviour of the organisation's leaders.

The RICE code suggests that Enron was engaged essentially in the production and trading of illusions. The dominant illusion, of course, was one of high profitability. But the main spectacle was sustained, at a deep structure level, by myriad other theatrical discourses. In this instance, the RICE code suggested that the organisation's activities were underpinned by a strong ethical code. The cultivation of such a belief was intended to facilitate intense belief, compliance, over-identification with the group's goals and leaders and heightened dedication to the pursuit of declared ideals. Accordingly, the presentation of an image at odds with a malignant reality is a standard leadership tactic in most documented cults. For example, the leader of the suicidal Jonestown cult in Guyana in the 1970s, Jim Jones, engaged in the dramaturgy of miraculous healing in front of large audiences, to generate the illusion of exceptional powers, while simultaneously informing his closest aides that he was the reincarnation of Lenin (Layton, 1999). It is now clear that the architects of the Enron story also made ample use of drama, spectacle, and the projection of financial illusions in their daily practice.

4. Producing the 'appropriate' individual

Overall, it appears that Enron inculcated a powerful set of cultural norms in its employees. These specified acceptable business dress, how people talked to each other, and what values they were supposed to subscribe to. The culture attempted to regulate people's identities – an increasingly common process, and one which has the effect of reinforcing organizational control, through producing individuals deemed appropriate by the ruling group (Alvesson and Willmott, 2002). It is a dynamic consistent with the role of culture within cults, particular in terms of its role in defining a narrow range of acceptable behaviours, attitudes and emotions.

Paradoxically, even from Enron's own perspective, the ultimate effect was dysfunctional – after all, the organisation expired. This suggests that though the methods analysed here may temporarily strengthen leadership control in small groups they are incompatible with long term growth and success. Thus, Enron maintained a façade of teamwork. But behind the façade lurked the ruthless self interest of its leaders – a self interest that others then felt compelled to emulate. As Swartz and Watkins (2003, p.192) noted: 'There was so much infighting over who got financial credit for a deal in the Performance Review Committee that the total amount credited to individuals far exceeded the *total* company income for the year. Even so, everyone felt obliged to quibble over the smallest points, because if you didn't, you got a reputation as a chump.' Those deemed to be chumps were thought to be exhibiting a purely personal weakness, rather than demonstrating any systemic difficulties with the organisation. Such a fate and set of labels again mirrors those directed against dissenters in all variety of cults. They had the effect of reinforcing the power of Enron's leaders. Other employees manoeuvred and conspired to avoid joining those in the category of 'losers' or 'chumps'. Most critically, with so much effort

invested in face saving and self enhancement, the destructive practices of Enron's leadership remained unchallenged, while a destructive corporate culture took deeper root.

CONCLUSION

This paper has argued that many of the dynamics found within Enron resemble those of organisations generally regarded as cults. In particular, it has described the existence and the downsides of charismatic leadership, a compelling and totalistic vision, intellectual stimulation aimed at transforming employees' goals while subordinating their ethical sense to the needs of the corporation, individual consideration designed to shape behaviour, and the promotion of a common culture which was increasingly maintained by punitive means.

The one exception is that, as the general literature testifies, cult members donate most of their money and possessions to their chosen cause. They endure great hardship. Enronians, by contrast, were well paid, with the promise of much greater wealth to come. On the other hand, most saw their retirement savings wiped out in Enron's collapse, lost everything they had invested in its shares and received nothing more than a $4000 severance payment when it filed for bankruptcy, while top managers were paid exceptionally generous retention bonuses (Watkins, 2003b.). Overall, the organisational culture strongly resembles that of many well known cults, as does the behaviour of Enron's leaders.

There have been many attempts to portray the Enron scandal as a one off or at least rare occurrence. In particular, President Bush characterised it as the product of poor behaviour

by a few 'bad apples', and therefore as an exceptional event (Conrad, 2003). Others have noted that many business commentators have effectively used Enron as a 'scapegoat', standing as a surrogate for a wider corporate malaise that is hence denied (Hensmans, 2003). In even more optimistic vein, as Deakin and Konzelmann (2003) have critically observed, the exposure and then collapse of Enron has been used by some to argue that we can be more confident in corporate America and its regulatory regimes. In line with the reasoning of the latter authors, our own position does not support such an optimistic interpretation of events.

In particular, recent years have witnessed an extraordinary growth in the power of CEOs, while the power of employees has declined (Mintzberg, 2004). But a corollary of great power is the anticipation of miraculous results. Such expectations are magnified in a context of social despair or helplessness (Gemmill and Oakley, 1992). Imperial CEOs, all too aware of the limited opportunity they are now afforded by the stock market to make a dramatic difference, may be tempted to resort to the theatrical approaches typical of cult leaders, and which were certainly the norm at Enron. In the process, they encourage conformity and penalise dissent. Yet the evidence indicates that effective leaders need to do the opposite, and in particular should 'encourage constructive dissent, rather than destructive consent' (Grint, 2005). Enron suggests that many if not most leaders have yet to grasp this point, with potentially catastrophic results for their organisations.

Thus, more leaders are attempting to bind employees to the corporate ideal, while curtailing forums for debate. They project an image of charismatic leadership, stress a compelling vision, depict their companies as a surrogate family and attempt to blur any perceived difference between the interests of managers and non-managers (Biggart,

1989). As an example of where this may lead, there has been a growing interest in 'Spiritual Management Development' (Bell and Taylor, 2004). Within this paradigm, trainers attempt to release managers from 'negative thoughts', 'fears' or 'barriers', which impede the development of a successful corporate culture (Heelas, 1992). Such approaches seek to re-engineer the most intimate beliefs of employees, so that they are aligned with whatever the leader deems is helpful to the corporate enterprise. It makes it even less likely that employees will ask awkward questions of their leaders, and so be capable of correcting their inevitable misjudgements. These may constitute fertile conditions for the emergence of other Enrons in the future.

There is little evidence, to date, that Enron's employees were able to offer significant resistance, least of all resistance that was effective. Rather, the evidence reviewed here indicates that a totalistic environment was created, in which the penalties for dissent were so severe and well known, while the benefits of conformity appeared so munificent, that critical voice was almost wholly absent from the organisation's internal discourse. Of more general significance, the increased primacy afforded to shareholder value, the growing power of CEOs and market pressure for speedy results implies the further erosion of cultures that embrace discussion, debate and dissent.

The dangers are considerable. Once people over-align themselves with a company, and invest excessive faith in the wisdom of its leaders, they are liable to lose their original sense of identity, tolerate ethical lapses they would have previously deplored, find a new and possibly corrosive value system taking root, and leave themselves vulnerable to manipulation by the leaders of the organisation, and to whom they have mistakenly entrusted many of their vital interests. Human beings need to believe in something, are

frequently naïve in where they choose to invest their belief and are vulnerable to dramaturgical spectacles designed to engage their loyalty. Enron 'traded' on the desire of many people to believe that ever increasing profits could be manufactured by means of accountancy conjuring tricks, by an organisation that was also serving a greater good – a secular miracle. In that context, as we have argued above, it may bequeath a cultural legacy that other business leaders increasingly seek to emulate. The phenomenon of corporate cultism may thus become more widespread, and require much closer study, than it has merited to date.

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Exhibit One: DEFINING TRAITS OF CULTS AND THEIR PARALLELS WITHIN ENRON

| Defining Traits of Cults | | Cultic Organisational Dynamics | | Parallels with Enron |

1. CHARISMATIC LEADERSHIP

Cultic Organisational Dynamics:
- A deeply entrenched commitment to the charismatic leader
- The leader has total and absolute authority
- Leaders build their eminence and maintain their grip on their followers through a well-articulated, emotive communication of their vision
- The leader cultivates a compelling and captivating self image
- Immense faith invested in the leaders
- The leaders enjoy a lifestyle of much greater luxury than their followers

Parallels with Enron:
- Heavy emphasis on the charismatic attributes of leadership
- The CEO had immense and unchallenged authority
- Dramaturgical events, such as annual management conferences, where leaders promoted themselves in a theatrical manner. For example, Skilling dressed and acted as Darth Vader.
- Hagiographic accounts of leaders in business press (e.g. dubbed as 'revolutionaries')
- Intense faith exhibited by employees in Lay and Jeffrey Skilling, and a declining confidence in the quality of their own perceptions
- The CEO led an ultra opulent lifestyle

2. A COMPELLING VISION AND INTELLECTUAL STIMULATION

Cultic Organisational Dynamics:
- An intense transcendent ideology
- A high degree of personal commitment by followers, to the goals of their leaders
- The replacement of the follower's existing belief system with a sense of being involved in a meaningful or revolutionary change or transformation
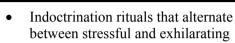- Stakhonivite work norms

Parallels with Enron:
- A totalistic vision, leading to a higher sense of purpose and achievement/earnings
- Employees assured they were transforming how business was conducted in the world, for the common good
- Goal set of becoming 'the world's leading company'
- Intense workloads, up to eighty hours per week

3. INDIVIDUAL CONSIDERATION

- Indoctrination rituals that alternate between stressful and exhilarating
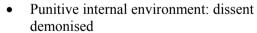- A process of conversion enacted
- Concentrated 'Love-bombing', to promote a new sense of being
- Ongoing emphasis on the development of the followers' devotion to intensify commitment at the conversion
- Continuous indoctrination, to reinforce initial sense of affiliation

- Intense recruitment rituals, designed to engage employees in a process of affiliation
- The transformation of attitudes, behaviour and dress codes
- Constant messages that those hired were part of a special elite and were the brightest and the best in the world
- Ongoing indoctrination, characterised by top down communication and severely limited upward feedback

4. PROMOTION OF A COMMON CULTURE

- Punitive internal environment: dissent demonised
- Uni-directional communication - downwards.
- Negative information suppressed and positive information maximised
- Total conformity from followers
- Uniform language and dress codes

- Dissent suppressed: perceived dissenters marginalised and often reassigned or fired
- Groupthink encouraged and endorsed
- Financial data falsified
- An unwritten internal rule of 'no bad news'
- Low toleration of dissent: perceived dissenters marginalised, reassigned or fired
- Common dress code among key employees
- Cultivation of obscure jargon, familiar only to initiates within the organisation
- Punitive internal regime ('rank and yank'), designed to alternate intense positive reinforcement with disorienting periods of criticism