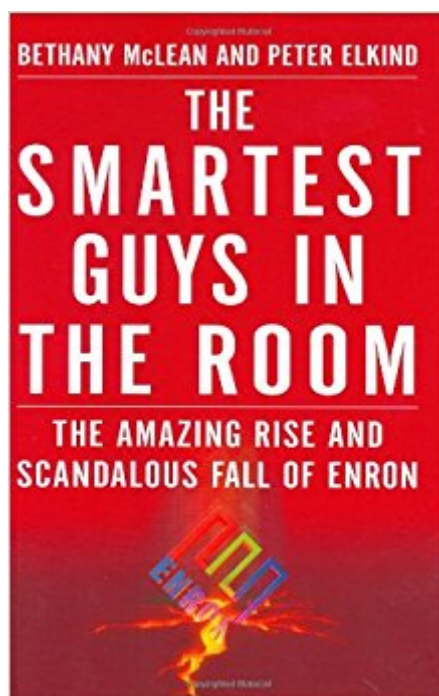


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Smartest Guys In The Room: The Amazing Rise And Scandalous Fall Of Enron



Synopsis

Until the spring of 2001, the Houston energy giant Enron epitomized the triumph of the new economy. Feared by rivals, worshiped by investors, Enron seemingly could do no wrong. Its profits rose every quarter; its stock price surged ever upward; its leaders were hailed as visionaries. Then a young Fortune writer named Bethany McLean wrote an article posing a simple question - How, exactly, does Enron make its money? - and the company's house of cards began to collapse. Though other business scandals would follow, none has had the shattering effect of Enron's bankruptcy, which caused Americans to lose faith in a system that rewarded top insiders with millions of dollars while small investors, including many Enron employees, lost everything. Despite enormous media coverage of Enron, the definitive story of its astonishing rise and fall comes alive for the first time in this gripping narrative, by McLean and her Fortune colleague Peter Elkind. Drawing on a wide range of private documents and well-placed sources, many of them exclusive, McLean and Elkind lead you behind closed doors and deep into Enron's past, to pierce the veil of secrecy that has surrounded the company's inner workings and corrupt culture. The Smartest Guys in the Room is fundamentally a human drama -- of people drunk on their own success, people so ambitious, so certain of their own brilliance, so fueled by greed and hubris that they believed they could fool the world. The book explores the motives, thoughts, and secret fears of a fascinating array of characters, including:

- * Ken Lay, the genial but clueless CEO who reveled in the trappings of his office but ducked the responsibilities. From the earliest days of Enron, his weakness allowed greedy lieutenants to run amok.
- * Jeff Skilling, the brooding, mercurial genius who was the architect of Enron's greatest triumphs-and its ultimate disgrace. "I am Enron," he once boasted. As the company unraveled, so did Skilling.
- * Rebecca Mark, the glamorous "It" girl of Enron International who raced around the globe in high style and battled Skilling for control of the company.
- * Andy Fastow, the brutally ambitious, deeply insecure whiz kid. Inside Enron his colleagues marveled at how his complex schemes allowed the company to scam Wall Street-not realizing that he was secretly scamming Enron.
- * Ken Rice, the Midwestern farm boy who was seduced by Enron's fast-money culture and who cashed in while hyping a high-tech business that didn't exist.
- * Cliff Baxter, the manic deal maker and Skilling confidant who resented Fastow's murky self-dealing. "He's a goddamn master criminal," Baxter would rail.

Just as Watergate was the defining political story of our time, so Enron is the biggest business story of our time. And just as All the President's Men was the one Watergate book that gave readers the full story, with all the drama and nuance, The Smartest Guys in the Room is the one book you have to read to understand this amazing business saga.

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Customer Reviews

Like its subject, *The Smartest Guys in the Room* is ambitious, grand in scope, and ruthless in its dealings. Unlike Enron, the Texas-based energy giant that has come to represent the post-millennium collapse of 1990s go-go corporate culture, it's also ultimately successful. Penned by Fortune scribes Bethany McLean and Peter Elkind, the 400-page-plus chronicle of the scandal digs deep inside the numbers while, wisely, maintaining focus on the "smart guys" deep-frying the books. The likes of paternal but disengaged CEO Ken Lay (dubbed "Kenny Boy" by George W. Bush, one of many prominent public figures with whom he rubbed shoulders), cutthroat man-behind-the-curtain Jeff Skilling, and ethically blind numbers whiz Andy Fastow vividly come to life as they make a mockery of conventional accounting practices and grow increasingly arrogant and bind to their collective hubris. They're not a likable lot, and the writers find it difficult to suppress their astonishment and revulsion with the crew who rapidly went from golden boys and girls of the financial world to pariahs when the bill finally came due. The authors' unrepressed sarcasms are more than often unnecessarily given the scope of the outrage. Enron's leading lights were or a time celebrated for their ability to concoct nearly unfathomable business schemes to hide mounting shortfalls and keeping track on their machinations can be a chore, but, by sticking hard to the story behind the fall, McLean and Elkind have reported and written the definitive account of the Enron debacle. --Steven Stolder

Fortune reporter McLean's article in early 2001 questioning Enron's high valuation was cited by many as an early harbinger of the company's downfall, but she refrains from tooting her own horn, admitting that the article "barely scratched the surface" of what was wrong at America's seventh-largest corporation. The story of its plunge into bankruptcy (co-written with magazine colleague Elkind) barely touches upon the personal flamboyances highlighted in earlier Enron books, focusing instead on the shady finances and the corporate culture that made them possible. Former CEO Jeff Skilling gets much of the blame for hiring people who constantly played by their own rules, creating a "deeply dysfunctional workplace" where "financial deception became almost inevitable," but specific accountability for the underhanded transactions is passed on to others, primarily chief financial officer Andrew Fastow, whose financial conflicts of interest are recounted in exacting detail. (Skilling seems to have cooperated extensively with the authors, though clearly not to universal advantage.) A companywide sense of entitlement, particularly at the top executive levels, comes under close scrutiny, although the extravagant habits of those like Ken Lay, while blatant, are presented without fanfare. The real detail is saved for transactions like the deals that led to the California energy crisis and a 1986 scandal, mirroring the problems faced a decade later, that left the company "less than worthless" until a last-minute rescue. The book's sober financial analysis supplements that of Mimi Swartz's *Power Failure*, while offering additional perspectives that flesh out the details of the Enron story. Copyright 2003 Reed Business Information, Inc.

This is a very informative story about the operation within Enron. It identifies some creative methods of making a company look financially good when it has little cash or assets to support that position. The writers appear to me to be unbiased. They point out that a lot of the financial operations started out legal, but as time went on the executives shifted toward an illegal method. They thought that they were really "the smartest guys in the room" and nobody would ever untangle the web of finances they created. It is amazing how many high level people, including presidents of the United States bought into the story. If you have an accounting background, you will understand the story better than the average reader. I am an engineer, but I was able to understand the manipulations enough to enjoy reading it. As a result of this scandal, many new regulations were put into effect that are now costing all of us money as the companies must follow them and the government must monitor them.

I've had this book on my shelf for about 10 years, but for some reason I'd never gotten around to reading it. Perhaps it was because I'd read Kurt Eichenwald's *"Conspiracy of Fools"* and may have

felt that nothing could surpass that. Given the passage of time I can't say which is better, but this is an amazing book, possibly made even more amazing by the passage of time itself and the fact that I didn't replace this copy with the 10th anniversary edition. If this had been fiction, it likely would have been criticized for lacking credibility -- how could any company become the "evil empire" that seems to have been Enron? Of course, it's not fiction, and even if one assumes that the authors may have exaggerated or left out some facts that might have made the villains look less evil, it's still a "credibly incredible" book. The book demonstrates the authors' intelligence, diligence and writing ability. There are a few passages that one might argue are too detailed, but for the most part I felt that the detailed explanations were helpful and even if they hadn't been the book is eminently readable and compelling. If you like this sort of book, this is a must-read; even if you don't, it's pretty damn good.

This is by far the most expansive collection that ties the entire Enron saga together from its humble beginnings all the way to its colossal failure. It is told in chronological order from initial merger that created it, all the way to its filing for bankruptcy after years of record shattering profit announcements which led to long drawn out investigations and hearings. The documentary titled and based off the book by Alex Gibney makes a perfect compliment to book by touching on all the key players and events and gives you a good summary of what happened and how those decisions led to the final outcomes. By watching the movie first, you will find the chapters are easier to follow if you are unfamiliar with concepts dealing in corporate finance, accounting, and generally accepted business practices. The story is one that is bigger than life. Several companies in last 20 years have had scandals that brought them down or imprisoned a couple rogue executives, while Enrons case would better be described as a terminal disease that slowly spread and infected from top down. The companys legacy is riddled in numerous bad decisions and short sided approaches to running a business that it should always be remembered as an example of the damage bad management can have on not just their own company but their clients and business partners. If you are intrigued by rise and fall stories, real life morality tales, defining the thin line between unethical and downright illegal, this is one of the best case studies to examine.

Had read Conspiracy of Fools prior to reading this book. Liked both; Conspiracy of Fools reads like a novel and is highly enjoyable in my opinion. Both books, while telling the same story, present different times and details in ways that the other may have merely touched on. The two books complement each other but certainly are not required to both be read. I gave this book 4 stars because I did have a slight preference for Conspiracy of Fools but I don't regret purchasing this

book.

For you non fiction readers, I could not put it down. Very well written, exciting, detailed, factual. Saddening considering thousands lost their life savings through the funds that were invested in ENRON. Greed, arrogance, title is so ironic.

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