What can we learn from a singular case like Enron?

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Abstract

This story narratively contends that lessons to be learnt from Enron collapse far exceed punishments of illegal behaviors as well as some new auditing and accounting regulations. But this requires to convince the external validity of a singular case. Usual ways of claiming external validity doesn’t appear to suit this situation. Participants then try Deleuze’s concept of repetition and examines the insight this permits to gain on Enron possible lessons. This external validity criteria is finally discussed, still grounded on Enron case.

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Speaker 1: The game is over. Your Enron case study is brilliant, deep and thick. But it now belongs to history. Capitalism has this remarkable resilience, to amend itself, invent new rules and born again, brand-new and even fairer. Enron collapse has triggered new laws, a return to auditing deontology. Enron did good to us, and nothing like Enron could happen anymore. There is no use carrying out an autopsy on a carcass. That’s past stories.

She: Of course, there is going to be other cases of gangsterism. You’re narrow minded, don’t you want to learn anything from this drama. Can’t you think to all those having lost their jobs, their pension funds?

Speaker 2: (standing from the last row) She’s right, that’s the system fault. Its inner logic compelled directors to fraud. They had no choice, the economic environment dictated dishonest behaviors so as to please shareholders—at the expenses to the workers.
Speaker 1: Well, but if contradictions in the system forced this to happen, could you tell us the reason why there has been only one case, or may be two, or three, or four?

Session’s moderator: That’s right, you cannot draw any general conclusion from a single case, especially such a singular one. Thank you for your speech, really interesting, however, things have changed now. And we have to save enough time for next communication, rightly on post-Enron auditing practices.

She quits violently the conference room, leaving all her slides on the desk. Despaired, angry, tears rushing to her eyes. She has exposed all the bad deeds in Enron, a year long fully devoted to this inquiry. Unraveling the subtle cogs of profit overvaluation, balance sheet tailoring and tax avoidance thanks to creative accounting, “special purpose vehicles” and tax heavens. But also uncovering details in auditing and consulting meshing, political lobbying going up to governmental pressure on other countries, violent treatments in India, top management selling high price just-in-time their stock-options whereas this was forbidden for employees, etc. Each element was presented as the piece of a puzzle, figuring an upsetting and alarming picture. That was indeed to prevent new Enron to come, to really learn from this dramatic case, that she full of hope read the meters high files and articles, interviewed key stakeholders and tried to build her own understanding. All this work and devotion that they refused to hear because this were a ‘too single’ case.

He is touched by her despaired black eyes, touched by her fierce courage, and impressed by the quality of her work. He also leaves, him discreetly, the meeting for he feels he had already heard so many times the neat and good-looking next show. Even surprising himself, he finds the nerve to walk to the little room where she had taken refuge. And, with a calm, deep voice, begins to speak:

He: I was really interested in your communication. Quite good. But the audience was not an easy one.

She: Leave me alone. You can’t understand. And I don’t care any longer. Fuck them all!

He: You can’t say this. That was Pr. Toms, a well-known theoretician. His model . . .

She: I’ve told you that you can’t understand. My father was one of the workers fired and broken. But this guy doesn’t care a damn with his contemptuous models. All he wants is to carry on his consulting business with these big firms.

He: H’m, okay . . . I just wanted to encourage you and make you know you’re not alone.

She: So thank you. Very kind. But a Ph.D. student can’t do anything for me now. And I’m so wretched.

He reluctantly directs himself out the room, but after five steps changes his mind.

He: Are you sure I can’t help you in a way or another?

She: No, definitively not. They’ve got logic on their side. If there was any general cause, why would there be only one or a few such instances? And this would throw responsibility out of the decision makers; that I can’t admit knowing what they did to my father and the others. On the other hand, they say that this is a unique case. Once the guilty guys condemned, order will be recovered: once legislation changed, such a case could not reappear.
will resume as before: business as usual, with no more questions on the system work, with no real lesson. However, legislation strengthening will only prevent the return of the identical, not that such deeds happen again on other forms. And other employees, other pensioners, other shareholders will stand the same consequences.

**He:** Put in epistemological terms, the problem is: what’s the external validity of a singular case? Singular because \( n = 1 \) or very few and singular because highly uncommon. That’s it?

She looks at him differently. He has won a first point. But she replies with a malicious smile, while putting her green raincoat on and waving good bye:

**She:** You’ve got the question, but where to find the answer?

An overwhelming will is possessing him, he has to win her attention. At least to start existing in her eyes. He promises himself to find an answer. Even though he has absolutely no clues. He copied her e-mail address from her paper and jumped right away towards the library.

1. Impasses

Five days later.

**She:** You wrote you had the solution. But what did you mean?

**He:** I’ve read many books about our external validity puzzle, there are plenty of answers.

**She:** Oh oh.

**He:** Well, there is first an obvious solution. If you can show that your study follow the same pattern as an established general theory, then your findings are said to be generalizable. At least, that’s what a guy call Yin (1989) contends.

**She:** But the point is that here is no general law. Thanks god Enron is a singularity. This is one case against a flood of non Enron-like firms.

**He:** Okay. Then let’s build on your strength. You have solidly grounded your study on your field, everybody agreed on that. Now you just have to replicate the same kind of study in other areas with cases showing a behavior as Enron, and others not showing it on grounds explained by the theory. Step by step, you’ll extend your theory range to other areas.1

**She:** Yes this sounds more adequate. But even though I could find so many such cases, which is not so sure, this would take me at least four or five years. And I’m not sure that because I would find the same results say in a public sector organization, this means that the validity extends to all this sector. Anyway, what I fear above all, is that wanting to be all the more general, would mean eliminating all the living and concrete features that a case study can show, keeping only the colder and the paler. Throwing away all the specific and interesting facets of Enron scandal. That’s the quality of my contribution.

1 See Glaser and Strauss (1967).
He: Well, that’s harder than I thought . . . But I’ve got some more cards to play. I’ve read an interesting and convincing proposal. It’s based on a subjective understanding of someone else situation. By your description of the directors difficulties and decisions, we all recognize some of our experiences. We can feel ourselves in their shoes and gain knowledge, pertinent to deal with our next situations. We experience a “naturalistic generalization”.

She: Well, I’ve thought about it. But they won’t accept such an insight. They’ll certainly argue that there won’t be such situations anymore and that such decisions can’t be natural to us, never placed in Enron direction singular setting. Be sure, I’ve already searched.

He: Hey, don’t give up. I’m sure you haven’t come across Donmoyer (1990) text. You have us live for a while in Enron culture. This new economy illusion, this feeling of boundless power, this pretending of crafting a new model . . . this other odd culture in which you made us travel renders us cleverer, more apt to spot and protect ourselves against such insanities.

She: Again, that’s right, but this doesn’t prove that Enron like situations will reappear. They are so sure their new regulations are going to prevent any Enron remakes.

He: And the hologram metaphor of Lincoln and Guba (1979)! Enron contained in its small universe all the features of our industrial world. Studying Enron, you can observe all the forces raging in our present economies.

She: Here, no more than a pretty image. Not even the beginning of a proof. Nothing that may shake their superior grimaces.

He: Sorry, I’ve got nothing else in store. I hoped I could help you.

She: Why such dumbness? A single case like TVA and the grass roots! made me dream we could one day organize more democratically. The fine and precise description of the Cuban missile crisis! single case—far more singular than Enron—may, I thought, help us avoid dramas in idiot conflicts. And maybe, by reflecting on our decision processes, avoid making decisions as mechanical as firing employees to make stock price raising.

And the Enron success, alone, seemed to some of them far sufficient to draw big conclusions about the economy entering a new era. But from the Enron collapse, why should we learn nothing, but crimes to be punished, already half-expiated by the fall of two empires? Are we only to learn more governance control and an accounting reform? That some people are bad and unethical? Don’t we want to see that Enron was the seizure of temptations, and others might be tempted? That Enron is not only the dark exception that confirms the rules of their game?

He: You know. I am convinced. I just have no idea right now of how to help you prove the external validity of your unravelings. But we won’t throw in the sponge. We will find a way. I’ll go back to the library, or we could go together. We’ll find out, I know it.

He takes her hand, with an ill-assured smile.

He: Er. I wanted to tell you something . . .

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3 Selznick (1949).
4 Allison and Zelikow (1999).
She frees her hand, waves him good bye, and adds winking:

She: Knowledge comes out Eros and Askesis.

Asceticism is not really what he was hoping. Yet he has to admit that knowledge doesn’t come from the application of a predetermined scheme, rather demands longstanding efforts in the library, as well as creativity and will. “Let’s begin by Askesis…”

2. Creativity

His first impression is harrowing, nearly unbearable, when he comes back to the library, early in the morning. A kind of vertigo. Shelves of books, stretching out numerous stories, repeating over numerous corridors. And data bases showing nearly always the same long list of references, though requested under different key-words. He skims various books and articles, chosen according to their titles. Twice, or maybe three times during the day, his heart begins to beat faster, as an idea begins to build its path, but each eventually turns out into be a wrong track.

In the evening, a friend comes to him worrying about what’s happening to him, for he is not used to show such anxieties:

He: I don’t know. All I know is that’s about external validity. Something reappears again and again, but each time in a different form, actualized in a specific setting. And people or organizations create their ways of coping with this, running again through the various facets of this something.

His friend feels sorry for him, suspecting one of those bringing-into-question phases by which each Ph.D. student is rhythmically affected. He leaves him on a suggestion to relax, because “such phases always finish one day”.

The second day, he gets caught by a book explaining something has to be distinguished from generalization, called repetition. From Deleuze, he is bounced to a series of authors he has only known by names: Kierkegaard, Nietzsche, Tarde, Derrida. He begins to feel this uneasy impression that ideas related to his question are discussed, without his figuring out what, nor his clearly understanding of those unusual insights. But this is far better than previous discouraging vertigo. He went on searching. His only disturbances are his angry replies to his friends’ worried advice of considering a week of holidays.

The fifth day, he despairingly gets back to his bedroom. He chooses the Bach’s Goldberg Variations CD and lays down his bed. He experiences that the old Glenn Gould was not remaking an interpretation of his youth success, imitating or altering, but was reviving it. Confronted with the same problem, he was inventing a new way of playing, full of differences, from all the depth and sensibility accumulated during his existence. Dreaming of himself as a pianist, he imagines not following Bach’s stave but coming up against the same “problems” as those guiding the composer. Each variation was a new attempt to approach an ungraspable problem. Then seeing himself as a manager, he thinks he is

5 Deleuze (1968). Much of what follows is inspired from this author.
not repeating the same unconscious stave, but playing against the same problems as other
directors. This impression turns slowly into a kind of conviction. Still knowing there is
something to do with their Enron concerns, but still not seeing clearly how to apply it. He
decides to take up a bet. He e-mails her, mysteriously, he has another solution. He feels
a bit afraid, knowing he has not crossed half the way yet, with nothing much more than
an intuition. What will she think if nothing is brought about, will she laugh at his vague
intuition? Thus, tomorrow is going to be a decisive gambling day. Anyway, meeting her
again was no unpleasant perspective.

3. Understanding problematics

He: Let’s try to think again. Can you tell me what’s the problem in Enron case.
She: Oh boy. There is no one problem, rather a dark rain of problems. A galaxy of eight
hundred off-shore subsidiaries, noticeably in Cayman Islands, enabling one of the
profit record firm to pay negligible taxes; accounting miracles transforming loans into
interests; a shrewd play with derivatives, escaping regulation thanks to a rewarded
official, allowing to record the capital gain of stocks or goods as a dark fiber optic
cables while hedging the friend partner buyer; the benevolent protective arms of politi-
cians using all their powers over regulation and other country officials systematically
favoring Enron profits; auditors advising how to nevertheless get accounts certified;
pension funds invested in company stocks; violence . . .

He: Okay. Then . . .
She: That’s not all, also . . .

He: Yes but isn’t there something common, repeating in each of these instances?
She: You mean something like an endless will to reach or paint financial profit so as to
constantly increase stock value, even well beyond economic performance. To smuggle
this difference. And to make believe this will endlessly carry on?

He: Yes, we’re on the way, isn’t there something more specific or more confusing?
She: Well, what is fascinating in the Enron case is that it’s precisely this end, this sky-
rocketing stock prices—be it ethically produced or not—that made possible all the
means to get it. High price stocks enabled to grant special purpose vehicles with huge
funds; generously reward directors, partners and helpers; propose high rate pension
funds and financial investments; solidly ground derivatives; leverage money on fi-
nancial markets . . . The end provided means to feed itself, and apparently justifying
the means. Thus, accelerating its own growth, but also accelerating pressure for high
stock prices to be attained and maintained.

He: With no one to slow down this exploding process?
She: No, a striking feature is that everyone, inside and outside Enron, had interest in the
unfolding of this loop. All counter-powers, in the normally check-and-balance equi-
librium, instead of playing against, were to contribute and accelerate the rising of
Enron stock price and power. Politicians benefited from election grants, auditors from
consulting fees, employees from stock possession and pension fund capitalization,
academics from new economy theories “verification” and sometimes grants for their
researches, and so on. Major stakeholders had better not to control, see, question, but
rather let go, contribute, take advantage and celebrate Enron. With no external brake, the economic system tends to bend any resources to its imperial logic, and here to its financial reductive purity.

He: I begin to see the problem configuration. A logic freed to its madness.
She: Try not only to see, but to feel it. These processes with no counter-moves, together with an acclaimed success, gives you a feeling of boundless power. The turnover and stock price rise, not only show you are right, but gives you incredible resources and many people willing to help you. As if you no longer had walls of the real. Creative accounting and financial designs, as well as lobbying and gift counter-gift with executive and legislative power officials multiplies your possibilities and disconnection from the real. But to strengthen your empire and lock people inside their myopia, maybe above all not to question yourself about your own behavior, you need to foster a powerful ideological shelter.

He: Wait. Even as powerful as they were, they couldn’t build an ideology.
She: Most of it was already there. You just had to contribute, reward and encourage speeches repeating what you believed in. Of course there’s not only Enron; you do have in this case some sorts of external validity. I see three pillars grounding these speeches, but this would have to be further inquired. First you have the New Economy myth and the with-Internet-everything-gets-possible credo. Old economic wisdom is out of date and power will rush to the powerful able to invent its own rules. Second you gain serenity with the quiet certitude that if you—and everyone—pursue your own interest, the whole society will at the end benefit. Thank you Adam Smith. Note that F.W. Taylor built upon the same kind of reasoning to justify his method. What’s good for GM is, by construction, good for the nation. The same for Enron. Although this may be true to some extents and contexts, this above all allows you to pursue your own interests without any further ethical concern. Third deregulation and markets would be synonymous of democracy. Power to the people. However, here, I see nothing but a freeway towards plutocracy!

He: You mean directors were the new lords, doing what they want.
She: Oh no, they were also caught in a trap. All their empire was powered by the stock price and confidence about future. A fall in the financial markets confidence, and the whole system would have been undermined from its own foundations. As in Lewis Carroll’s wonderland, they had to give all the running they can just to keep in the same place. They certainly didn’t feel free, rather pressed and stressed. They were facing a problem—that’s what you were looking for. However, instead of slowing down the machine, tending back towards the old-fashioned indicators and ask for help to get out this evil loop, they asked for help as to remove new constraints, obtain new advantages and hide all this as much as they could. Instead of trying to defuse, they ran faster and faster, rendering the problematic even more compelling. They haven’t sought for other possibilities.

He: That’s why the problematic insisted and persisted.

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4. Repetition of problematics

He sits closer to her and puts his arm around her shoulders, gently clasping her.

He: You were asked upon the external validity of your study. It doesn’t show any general law. By the way, how a single study could prove its findings are general? But it makes us see, feel and better understand some problematics that will reappear. Oh, they won’t happen again in the same way, but the other situation will be tensed by the same set of problems.

She: Just like each time you approach me, you are tensed by the same problem, each time anew, each time in a new setting. You deal with it in a different way, enriched with your past experiences. You are repeating the problem of approaching.

She removes his arm, looking at him straight in the eye. He blushed for shame. Puzzled by the depth of her understanding. Not knowing what to say. He makes up for it on the academic discussion.

He: In a case study, actions are less likely to be properly understood thanks to general laws which you cannot prove with one case (propensity to corruption, ineluctable consequences of auditor—consultant role confusion, behavior “explained” by the system) than by trying to figure out the problem they face. The question is to know whether they are to appear again, maybe dressed with other fineries, but with the common inner logic or structure. Spotting this disguised regularities, leading to similar difficulties and temptations, similar trends, even though at different scale or shape. Knowing what we can learn from Enron requires thus deep understanding of the problematic addressing to the directors, and its specific ways of appearing. Then describing and imagining the possibilities of reply.

He blushed again, as he a posteriori catches the possible double meaning of his words. He couldn’t dare staring at her. He adds with a shy and confused voice:

He: Enron case is not generalizable. So thin you ever draw your categories, you can’t with a case study take Enron as representative of a genus or a kind. Enron is singular. Enron won’t happen again. Maybe some of its features, but not the whole case. However, pressures for stock values are quite universal for big firms in capitalist economies. And Enron stretches the problem to one of its extremes. You’ve invited us in a journey where the landscape is unusual but sharply shaped. Thus, easier to understand. We’ve been invited to live in Enron directors shoes.

She: Thank you, but don’t be too kind. I’ll have to confront them again. They won’t be as kind. To make sure I’ve got it: we can learn from a single case, even without tending towards a general theory. Let’s take an example. I remember of a study from Hammond (1998) about the harassing difficulties and the courage of the first African American woman certified public accountant in the United States: Theodora Rutherford. We can’t think of a more singular case: there was only one person. There was no general law to be drawn. Thanks God, access conditions to many jobs are in no way the same. And yet, one could still experience the same underlying problematics of social reproduction, intolerance (towards gender, origins or religion differences)
and idiocy. These problematics aren’t general, they reappear each time dissimulated under different disguises, different scales, different attributes. But they’re still there. So these problematics aren’t just to be named, but also documented and approached.

He: That’s it. In your Enron case study, you’ve pointed out the problem, showing that it wasn’t just an accounting and tax avoidance issue. Nor about pursuing right ends with illegal means. The problem showed some of its evil and not-so-simple facets: the mechanism of ends becoming also means tending to a boundless power; the way it sweeps counter-weights away transforming them into allies; the blinding and conscience easing role of speeches about new economy, invisible hand and deregulation as democratization; the way directors get locked in a trap where getting out means getting deeper in... The problem is the tendency of financial logic to become the only logic, the only value, flooding and leading astray all the others to its ends, until blind madness. May be even to self-destruction. Isn’t it, these days, anything worth learning from? Of course the problematic will reappear in different configurations and disguised under different masks. But for sure, it won’t be handled with an accounting change and a new audit deontology.

She: I wonder if you’ve embraced the whole problematic, or just approached it... Anyway if from the society point of view, the problem is that they broke the rules of the game, from my father’s eyes, it is that they were playing a game.

He: Yes and when you’ve chosen a way of facing up to a problem, you tend to repeat always the same answers.

He looks at her, his eyes full of messages. His face approaches to hers. She kisses him good-bye on both cheeks and lightly goes away. He feels a bit deceived but profoundly happy. He knows he has just repeated what research is all about.

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