

CAREER OPPORTUNITIES

Lessons

By Douglas E. Welch

As I write, I am listening to the news. Arthur Andersen, mired in its relationship with Enron, has just announced that it will lay off around 7,000 employees. While the case against Andersen, Enron and others will take years to sort out, the effect on employees at the companies is quick, painful and, I hope, instructive. Sometimes, the best thing you can do with a bad situation is to learn all you can from it.

Failures

One lesson that can be easily seen is that of failure, at all levels of both Enron and Andersen. It appears that the highest levels of management failed to play by the rules and got burned. They may have played with accounting and partnerships to inflate the bottom line and, most onerous of all, convinced employees to invest more money in a company they knew to be failing.

Middle management failed when it carried out actions, such as document shredding, without questioning those above them. Not wanting to blame the victims, even the staff at these companies failed. They failed themselves in not having sufficiently diversified pension planning, failing to notice what was going on or, perhaps, failing to speak up when they knew something was not right. Everyone failed and nearly everyone will lose, including investors, the economy and the nation.

Pay close attention to the revelations involved in Enron/Andersen in the coming months. Examine closely what failure looks like. You need to be able to recognize it when it comes calling at your company.

No One Is Watching

The second lesson I take from this and other financial crises to come is this: No one is watching. The SEC, whether due to lack of funding, staffing or desire, has ignored the dubious accounting practices that have brought the current situation to a head. The large accounting firms that together perform nearly all the accounting and auditing for even larger corporations have basically been left to police themselves.

Someone is ignoring a lesson they should have learned. Companies with little or no regulation tend to gravitate toward illegal and immoral actions. A corporation exists for one reason only—to make money. If illegal

actions can produce more money, they will be used. If hiding debts and losses can make more money, it will be used. If lying to employees, partners and customers makes more money, it will be done.

Regulations are needed to ensure that our economy doesn't turn into a free-for-all where companies can use any tactic they wish. Rules are the way mankind attempts to manage its own baser instincts. Without rules, litigation and penalties, there is no telling what monstrosities we would create. Without rules, everyone suffers. Some suffer sooner, some later, but all suffer in the end.

In order to reduce the occurrences of similar dire business disasters, we need a watchdog. This watchdog isn't only in Washington, D.C. We all need to be a watchdog, no matter what our level. Stopping the small transgressions when they start can help to prevent the larger transgressions to come. It is up to all of us to attempt to do business within the structure of our rules; otherwise, the system itself will fall apart.

Prepare on Your Own

Finally, the main lesson for all workers is to look out for yourself and those close to you. Take company proclamations about stability and loyalty with a grain of salt until you can prove the claims empirically. Control your retirement investments yourself, and do not lock into plans that limit your ability to manage them as you see fit. Always be prepared to be out of work. Always be looking for the next job, no matter how successful you might feel today.

Imagine those workers at Andersen who are waiting for the phone call that will decide their fate. They may be the most successful people they know. They may have everything that others covet today, and it might all be gone tomorrow. Worse yet, it might all be gone not because of their own actions, but because someone above them failed so badly it has put the entire company in danger of collapse. Put yourself in their position. How would you feel? What would you do? If reviewing that scenario is not enough to spur you to action, I don't know what will.

Whenever you face failure, directly or indirectly, take the lessons it has to offer. Learn from others' mistakes. It is possible. Let failure drive you forward into action that can develop, protect and defend your career, your retirement and your life. □

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