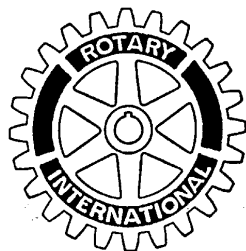


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Waunakee Rotary Club

**Aug. 31, 2006
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Denis Collins, a professor of business at Edgewood College, discussed business ethics and the collapse of Enron at the Aug. 24 meeting of the Waunakee Rotary Club.

Denis has written a book entitled "Behaving Badly" about Enron and the circumstances that led to the demise of the company.

He said many of the ethical situations that ate away at Enron are common in the business world and in everyday life.

He cited one ethical issue of Kenyan coffee, which he enjoys. One-third of the coffee beans produced in Kenya are picked by children. So, Denis asks himself, is his customary purchase of Kenyan coffee the wrong thing to do because it supports child labor? Or is it the right thing to do because it provides jobs for the children?

"That's life," Denis said. "We face that all the time. In business, we face that all the time. Enron was no different."

Research shows that the average human being tells one or two lies a day.

People lie as soon as they can talk, Denis said. The IRS reports that 10 million people lie on their tax returns. And 70 percent of doctors lie to insurance companies, figuring that "they deserve to be lied to."

We are all imperfect people from the start, and the challenge of business is to manage imperfect people, Denis said.

Denis described Enron's long-time leader, the late Kenneth Lay, as "a really nice guy" with a religious background. Lay hired Jeffrey Skilling -- a real go-getter

since his youth -- to manage Enron's mountain of debt. He did so by concocting a scheme to claim future revenue in the current year, and Wall Street loved the results of that gambit. Skilling hired a bunch of other go-getters and loyalists that helped expand and perpetuate the scheme.

"If you hire a go-getter, you have to give them limits, a code of ethics," Denis said.

So while Lay was busy managing the many good things that Enron was doing, he didn't know until it was too late that Skilling had inflated earnings.

When Lay found out, he was faced with some awful choices: Admit the existence of \$7 billion in hidden losses and wreck the entire business, admit some of the hidden losses to mute the criticism or continue the cover-up.

The cover-up couldn't go on forever. Denis said rumors flew, and journalists got wind of the story. That was the end of the game for Enron.

The lessons of Enron include the importance of businesses hiring ethical people. "We're surrounded by temptations," Denis said. "Where is the integrity?"

Other items:

--President Drew Lawrence urges Rotarians to turn out for the District Governor's appearance at the next meeting. Board members should show up at 11 a.m. to meet with the governor.

--Lori Derauf said a committee on Youth Exchange and Interact is beginning to meet.

--Golf outing is Sept. 14. Craig Larson says there's room for more

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Calendar of Events:

Aug. 31, District Gov. visit
Sept. 14, golf outing
Sept. 24, Rustic Road Rally
Sept. 30-Oct. 1, Oktoberfest

golfers.

--Ray Statz said work on the bridge is progressing.

Guests: Dennis Leonard, guest of Jim Leonard; Ben Ballweg, guest of Ken Ballweg.

Visiting Rotarians: None.

Birthdays: Sept. 5, Gordy Meicher; Sept. 6, Tom Reis.

Anniversaries: Aug. 31, Tammy and Jerry Reefe.

Prayers: Aug. 31, Leonard Allen; Sept. 7, Kim Wilde; Sept. 14, Pat Durden; Sept. 21, Msgr. Kramer; Sept. 28, Susan Vergeront.

Programs: Aug. 31, District Governor Hal Keitel; Sept. 7, Club Assembly; Sept. 14, Robbie Lowery, candidate for sheriff; Sept. 21, Thomas Steele - Mary Howard; Sept. 28, Wisconsin Business Development, Ron Vincent; Oct. 5, Club Assembly.

Greeters: Aug. 31, Sandy Taylor and Don Tierney; Sept. 7, Luke Tierney and Jon Townley; Sept. 14, Jim Tubbs and Robert Tucker.

See you Thursday!