

Name: _____ Date _____



The Collapse of Corporate Giants: The New Dr. Evils?

Student Handout #1

INTRODUCTION – To what extent have the actions of CEO’s and their top executive officers contributed to the collapse or near collapse of some of the world’s largest corporate giants? Have the actions of these individuals been illegal or unethical? Should criminal charges be brought against some of these executives? Your assignment is to investigate how some of these corporate behemoths got into financial difficulty and to determine the culpability of the CEO’s and of the top executives who directed them. Your teacher will assign you a specific firm to represent, or you will be assigned to serve as a member of a Board of Inquiry. Research your assigned conglomerate carefully, and then respond to specific questions asked by the Board of Inquiry as it strives to uncover the truth.

SUGGESTED LIST OF CORPORATIONS

Cisco	AT&T- TIME - AOL
Polaroid	Sunbeam
Xerox	Tyco
Enron	Solomon Brothers
Samsung	Arthur Anderson
Global Crossings	WorldCom
Kmart	Lucent

RESPONSIBILITIES OF THE BOARD OF INQUIRY (3 TO 5 MEMBERS)

- Research the companies selected for this simulation to become familiar with the goods or services produced by the company, the CEO and other leading corporate officials, and the financials of the company from 1999 to 2002. Members may divide the research by business firm or by the topics listed above.
- Ask the corporations’ officers the designated questions. The questions are provided under the Responsibilities of the Corporations.
- Summarize the findings of your Inquiry.
- Call for a vote on the culpability of the Corporation’s officers. Are they “not guilty,” and if so what did contribute to the company’s demise? Are they “guilty” of unethical business conduct? Are they “guilty” of criminal conduct? Make sure you are able to substantiate your verdict.

RESPONSIBILITIES OF THE CORPORATIONS (3 TO 5 MEMBERS)

- Assign members of your group one of the following positions and have each member carefully research the questions given. If you have more members than roles, two students may work to discover the necessary data.

Chief Executive Officer (CEO)

1. Describe the corporation.
2. Where is its corporate headquarters?
3. What goods or services does your company produce?
4. What is your annual salary? Are there any other “perks?”

Chief Financial Officer (CFO)

1. What are the published assets for your company over the past 3 years?
2. What are the published liabilities for your company over the past 3 years?
3. Describe the fluctuations of Stock Market prices for your company since 2000.

Chief Legal Officer (Company’s Attorney)

1. In your opinion what contributed to your company’s financial problems over the past 3 years?
 2. How serious are your financial problems?
 3. Is the company still in existence? Is the company in Chapter 11 bankruptcy?
- All Executives should be prepared to answer this question: What is the prognosis for this corporation’s continued existence.

SPECIAL NOTES

1. The job of all members is to both ask and answer questions as truthfully as you can.
2. Remember, your job is to determine if there has been managerial error, unethical practices, or sufficient criminal activity to actually bring charges against the CEO and his top executive officers.

SUGGESTED INTERNET SITES

www.fortune.com – This site contains the seed article from which this lesson was developed. To access, scroll down to *Information*. Click *Archive*. Find *2002 Issues, May 27, 2002, Why Companies Fail?* A related article in the *Fortune magazine Archives* may be found for March 18, 2002. The title of the article is *Send Them To Jail*. The article includes *Enough Is Enough: The Odds Against Doing Time*, and *Schemes and Scams: A Brief History of Bad Business*. This article provides a history of white collar crime from the 1920 Ponzi postal scam to Sotheby’s price-fixing scam in 2000.

www.wsrn.com – This site contains information on NYSE quotes, news articles on companies, research reports, financials, and financial reports.

www.library.ubc.ca/lam/company - This site contains a tutorial on researching financial data. There are also links to annual report databases and corporation Web sites.

www.financials.com – The site contains a tutorial of investment basics. Annual reports of corporations are available plus a bunch more.

www.ppee.org – Click *Stock Market Resources* for lots of links to corporate information.

www.smg2000.com – This site has links to lots for information related to investing.

www.nytimes.com – Don’t overlook the *New York Times* site and its *Archive* going back to 1996. Enter your “search word” and Voila!

<http://online.wsj.com> – You may have to scroll all the way down to get to the “good” stuff, but the site contains lots of relevant materials. It’s the *Wall Street Journal!*

<http://www.nasdaq.com> – Click *Free Annual Reports* and select companies by alphabet or use the company search option.

www.biz.yahoo.com/news - Yahoo Business Headlines provide short summaries to full blown analysis of what’s going on in the business world. Yahoo Finance has company profiles for more than 8,000 public corporations.

www.hoovers.com – One of the best and most respected business/finance sites on the Web.

Also – Don’t overlook visiting the Web site of the corporation you selected.