



White Paper

Enron for Kids

Aaron Greenspan

Date: August 6, 2002
Topic Area: Business Trends

The year 1998 was not particularly memorable in the business world—not like 1999, when the so-called “internet bubble” began to expand, and expand, and expand. 1998 was the year that Think Computer Corporation was incorporated amid high demand for computer-related services, such as computer repair. I started the company not for the millions of dollars that many dot-com entrepreneurs expected within their first weeks on the job, but because the limited liability protection afforded to corporations offered a considerable benefit to a high school student who wanted to work for other businesses.

Of course, that was 1998. One year later, starting a company became the popular thing to do—not to meet a market-driven need, but just for the sake of starting a company, regardless of purpose or profitability. Millions were spent on everything from Aeron chairs to lavish poolside birthday parties. Executives at established corporations, the staples of American commerce, behaved every bit as irresponsibly as the college students who believed they were writing history by defining what was universally referred to as “the new economy.”

The effects of corruption on such a grand scale go far beyond a few key executives, however. With every misspent dollar, the attitudes

and expectations of a country drunk with success were infused into the next generation of businessmen and women. Time will tell whether or not America will ever really recover from the hangover—or whether the next generation will go back for more.

It’s easy to forget just how much Enron, Tyco, Worldcom, and Adelphia were enshrined as examples of success before they appropriately became the media’s favorite punching bags. While Bernard J. Ebbers and Kenneth Lay were raking it in, students anxious for instant riches and power were reading up and starting businesses of their own. Eager to network with their peers or gain attention, many found their way onto the World Wide Web, where the lure of the

“Kidsway has the connections to promote the agenda of whoever they deem to be the most appealing entrepreneur around.”

media is anything but hidden.

When *CNN* or the *New York Times* want to write about business-savvy students, more often than not they rely upon an organization such as Kidsway, Inc. to provide them with data, contacts and quotations. At the head of an entire industry that revolves around “young entrepreneurs,” Kidsway has the connections to promote the agenda of whoever they deem to be the most appealing entrepreneur around. A cursory glance at the company’s “Top 100” list—akin to the more



famous Fortune 500—gives a good indication of the year's lucky winner. What reporters don't know is that the order of the list might as well be random, for the criteria are meaningless.

When Kidsway called about including Think Computer on the Top 100 list, I was subjected to a battery of questions, not the least of which was, "How much money do you make?" Though privately held corporations have no obligation to reveal profits, I did not have a choice if the company was to be included. Knowing how much the publicity could potentially increase business, I agreed to outline the company's revenue and profit figures, cautiously separating taxable from non-taxable sales.

Others who made the list apparently could not have cared less. In later conversations, many revealed that they did not even know the difference between "gross" and "net." Lucky for them, Kidsway did not distinguish between the terms, either. One "web site designer," who I later learned did not know the basics of HTML (the universal programming language of the World Wide Web), simply lied, reporting that he earned \$600,000.

When I pointed out this inconsistency to the supposedly savvy adult staff at Kidsway, their response was merely that they did not bother verifying data. Another well-known entrepreneur, currently a judge of the prestigious *Webby* awards, did not even have a web site for her unincorporated web site design company, which was also on the Top 100. (She did have a site with prominently placed photographs of herself, ready for reporters to download.)

The next time Kidsway confronted me with their questions, I was more reluctant to volunteer information. It was not worth spending my time on the telephone with them, since based on my

past experience, the biggest frauds had been rewarded the most. Nevertheless, despite my request that Think Computer be removed from the list, it appeared on the next Top 100 anyway.

One might wonder if jealousy is the motivating factor behind criticism of such a popular media source. In reality, the damage that Think Computer Corporation suffered from appearing below the twenty other "companies" on Kidsway's 2001 list was minimal. The phone kept on ringing, and reporters still wrote articles about our products and services. Ironically, those who were harmed the greatest were those at the top of the list, as the incredible dazzle of fame got to their heads and inflated their already monstrous egos.

One fifteen-year-old (#9 in 2000) started a popular dot-com pyramid scheme that paid its members by the hour to surf the web—without understanding enough algebra to realize that each new customer would increase revenue arithmetically and expenses geometrically. He signed contracts promoting enormous cash-flow imbalances and landed his company in hundreds of thousands of dollars of debt. In the meantime, a joint venture of Microsoft and Apple invited him to be on its Board of Directors, and flew him to Japan twice. The first time was for a tour and board meeting; the second was for a book tour for his newly-released Japanese biography. Alas, even celebrity could not save his business. When he was forced to shut down the company, he pocketed the remaining funds to start another.

Another Kidsway protégé (#34) copied an outdated version of the Think Computer Corporation web site design and called it his own. Kidsway acknowledged that the sites were "similar," and offered the following consolation: "Let's face it [sic] everyone uses everybody else's code." Kidsway assumed that in turn, I had copied my



design from someone else, like many of their participants. Subsequent to notifying them of the copyright violation, Kidsway proceeded to award #34 first place in a business plan competition. He is one of three “young entrepreneurs” who have used Think Computer’s intellectual property without permission.

#15 started yet another on-line pyramid scheme that unsurprisingly went out of business when it ran out of advertising revenue. The two teenagers who tied for the #4 spot happen to work for Kidsway, as the company’s site proudly proclaims in numerous self-serving articles. *48 Hours*, the popular CBS news documentary, featured #3, who later sent out a mass e-mail informing anyone who might be interested to get ready for his IPO, which still has yet to take place.

The list is riddled with inconsistencies, and yet the egos keep expanding. No matter how many Enrons or Adelphias the Securities and Exchange Commission manages to find and dismantle, young entrepreneurs will continue to emulate the corrupt practices that have permeated Corporate America unless they are told to do otherwise. Until we start emphasizing business ethics, tomorrow’s business leaders will be no less greedy and manipulative than today’s.

Meanwhile, the hypocrisy continues. Now seventeen years old, #9 on the 2000 Top 100 was invited to be a keynote speaker at a youth conference in July, 2002, to share his so-called extensive business experience with thousands of other students. Fortunately, his words of wisdom were diluted by those of other, more informed speakers, one of whom was an esteemed Vice-President at what has lately become a particularly well-known company: Worldcom.

Aaron Greenspan is President & CEO of Think Computer Corporation.