

Paper entrepreneurialism and enrons collapse

Business



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Introduction to the Case Enron has been one of the most famous cases of fraud and deceit over the years, and this organization has been used as a case to understand the problems of finances and corporate governance in a number of scenarios. Robert Reich in his famous article, Paper Entrepreneurialism, explains about the ways and means by which many firms in the United States have shown earnings and healthy growth when none of it exists. Malcolm Salter, in one of the recent books, explains about the culture of defeat that exists and how management finds ways to innovate and show steady profits. A critical analysis of each has been conducted in this assignment to explain how cases like Enron exist and how lay people do not seem to realize the issues in such companies before hand.

Paper Entrepreneurialism

Reich argues in his article, Paper Entrepreneurialism that accountants and financial experts are particularly trained to manipulate books and numbers. As a result, they have a number of innovative schemes through which an organization can stand to gain through various means. Such paper entrepreneurs manage finances through the usage of paperwork, like establishing holding companies and joint ventures, conducting spinoffs or divestitures, developing mutual funds or conducting exercises that hide realities of the organization under the paperwork and the numbers. Reich suggests that there are other types of entrepreneurs as well which he terms as product entrepreneurs. He believes that these entrepreneurs are developers of products and services that people may want or need. They are innovators of products, and sell such to the consumers. He states that economy has a need for both of them but because paper entrepreneurialism is on the rise, it is expected that organizations will manage to cook up

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financial gains when competition has become increasingly strong, particularly due to globalization. (Reich)

Culture of Deceit

Salter states that Enron is a classic example of deceit and corruption where most of the stakeholders focused on personal gains rather than the organizational gains because of which the shareholders suffered. The problems were deep rooted in ethical and administrative failures, along with lack of corporate governance. As a result, when financial incentives are part of the executives and the board, ethical discipline will definitely be lacking within an organization which was the case in Enron. In such a scenario, Salter explains that corporate governance failure was the key reason why Enron failed and this is the primary way an organization can avoid such a scenario. (Salter)

Conclusion

The disquieting factor is that cases like Enron have existed and continue to exist, while consumers fail to notice the failures of the organization when they see the profits and the bottom-line. The ideology in all cases should to be actually evaluate the company on various qualitative as well as quantitative factors in order to truly understand an organization for its worth. This is the key through which shareholders can benefit if they continue to evaluate the organization in various grounds.

Bibliography

Reich, Robert. " Paper Entrepreneurialism." New York Times 23 May 1980.
Salter, Malcolm. Innovation Corrupted: The Origins and Legacy of Enrons Collapse. Harvard University Press, 2008.