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15 Years After Enron, Arthur Andersen Brand Resurges

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Given the Arthur Andersen brand's association with a major accounting fraud, one might think the name would have too much baggage to be something a company would want to take on, let alone fight for in court. And for a while, it was, according to Mark L. Vorsatz, CEO of Andersen Tax and an alumnus of the original Arthur Andersen firm.

Vorsatz had been running WTAS, a firm founded by 23 former Arthur Andersen tax partners, since the former Big Five firm collapse. He said that, in 2006, former Arthur Andersen CEO Duane Kullberg approached him about buying the name and reviving the firm. Although the U.S. Supreme Court had overturned Arthur Andersen's criminal conviction the previous year, Vorsatz said that he and the firm's partners thought it was still too soon to do this, despite former clients and retired partners being willing to put up \$100 million for the effort. Vorsatz was blunt in saying that he thought it was a bad idea.

"At the time, in 2006, the scars are still too recent; I don't think there's enough interest there," he said.

It would take another seven years, until 2013, before the firm would revisit the question. Many things had happened in the meantime. WTAS began expanding internationally and, as it did, it kept on recruiting former Arthur Andersen partners. Vorsatz said that, around this time, he asked a colleague what he thought about naming the firm Andersen, admitting that no one really liked WTAS anyway.

"He started laughing because he didn't think I was serious," Vorsatz said. "And then he had a bemused look on his face and said to me, 'That would be a bold move.' And I said, 'Yes, the kind of move we would have made at Arthur Andersen.'"

At this point, it had been 11 years since Andersen's collapse, but Vorsatz said that switching the name still was not an easy choice. He knew that, even then, the name still had at least some association with the scandal, and so he wasn't entirely sure it was a good idea to adopt it.

"Because, at first, when you think about it, the first thing you think of is Enron and the audit problems," he said. Although the Supreme Court did overturn the conviction, "I'm not sure the firm was vindicated by the Supreme Court decision," he said. "It was like trying to put the genie back in the bottle."

The discussion went on for nine months, but eventually, WTAS partners overwhelmingly supported the name change to Andersen Tax, voting for it, 140-6, with 4 abstaining. Since then, he said, the name has actually proven to be highly beneficial.

Jean Caragher, president of Capstone Marketing, which specializes in CPA firms, said that Arthur Andersen is an interesting case, because the damage to the brand in the wake of the Enron scandal was so heavy. She noted, however, that there were a number of factors at play that kept it from being forever tarnished. The main thing, she said, is that Enron is not the whole story of Arthur Andersen—the firm was founded in 1913 and had almost a century of history behind it before its collapse, and during that history, it had banked up a lot of positive reputation.

"Andersen has been around since 1913, so this is a long-standing heritage. And Andersen was the gold standard of public accounting firms. Everyone wanted to be Andersen," she said.

While Enron was a significant hit to the name's reputation, she said it was not enough to overcome its image as a high-quality CPA firm, at least among business professionals who were familiar with its work prior to the scandal.

Mark Gandy, the Global Brand Director for bluemarlin, a leading brand consulting firm, said that another reason why the Andersen name still has value is that, frankly, the Enron scandal happened a long time ago, and there's a whole new crop of corporate scandals taking up space in people's memories. As compared to, say, the collapse of Lehman Brothers or the massive AIG bailout, the Enron scandal and Arthur Andersen's role in it just aren't as fresh in people's minds anymore, letting the brand's more positive aspects come to the fore.

"When we ask Millennials, they're generally not aware of Arthur Andersen as having any toxicity, so there's an absence of negativity—and when there's an absence of negativity, there's scope to build up a positive brand story. However, when you mention Enron to them, everyone is aware of Enron, so I think it's interesting. Maybe the passage of time has distanced Arthur Andersen from Enron, [even though] Enron, as a specific chapter in accountancy, is still remembered, even 17 years later," he said.

Another factor that has likely helped, according to Caragher, is the current firm's distance from the original sources of the scandal. People recognize that Enron resulted from "the mistake of a few," she said, and that the vast majority of people who had been employed by Arthur Andersen had nothing to do with that. She also pointed out that Andersen Tax does only taxes, making this very clear through its name, which allows it to distance itself from the audits that formed the core of the scandal. So, the firm is able to use a brand that already has established recognition, while, at the same time, distancing itself from what made the brand controversial in the first place.

Vorsatz raised similar points when speaking of the thought process that went into the name change. While Andersen Tax does view itself as a continuation of the Arthur Andersen legacy, it distances itself from the aspects that triggered the scandal through its name and the practice behind it.

"Yes, I knew Enron would come up; we're not naïve. That's why we called it Andersen Tax, to make it clear that we don't have an audit practice," he said.

Gandy added that people's understanding of brands has changed over the years. Consumers, he said, have become more realistic about flaws and mistakes that companies make and are more interested in how those companies handle them. If businesses deal with a mistake with integrity, rather than deceit, then they will regain respect.

"There is a human aspect to brands. If we are able to forgive humans, then we are also able to forgive brands," he said.

There's also an international aspect to the brand's enduring value: While Vorsatz acknowledged that the brand was tarnished in the United States, he said that it retains positive associations in other countries. To illustrate, he said that a private practice his firm had recently acquired was getting about two or three résumés a month; after the firm rebranded to Andersen Tax, however, it received over 600 résumés from people who wanted to work there.

"The reaction has been unbelievable; both [staff] and clients are so excited about what we're doing. It's been a fascinating exercise, by any measure," he said.

The name change, overall—despite some initial hesitation and misgivings—has been a great decision, according to Vorsatz, who said that it creates immediate recognition around the world and helps the firm establish an image of professionalism and quality.