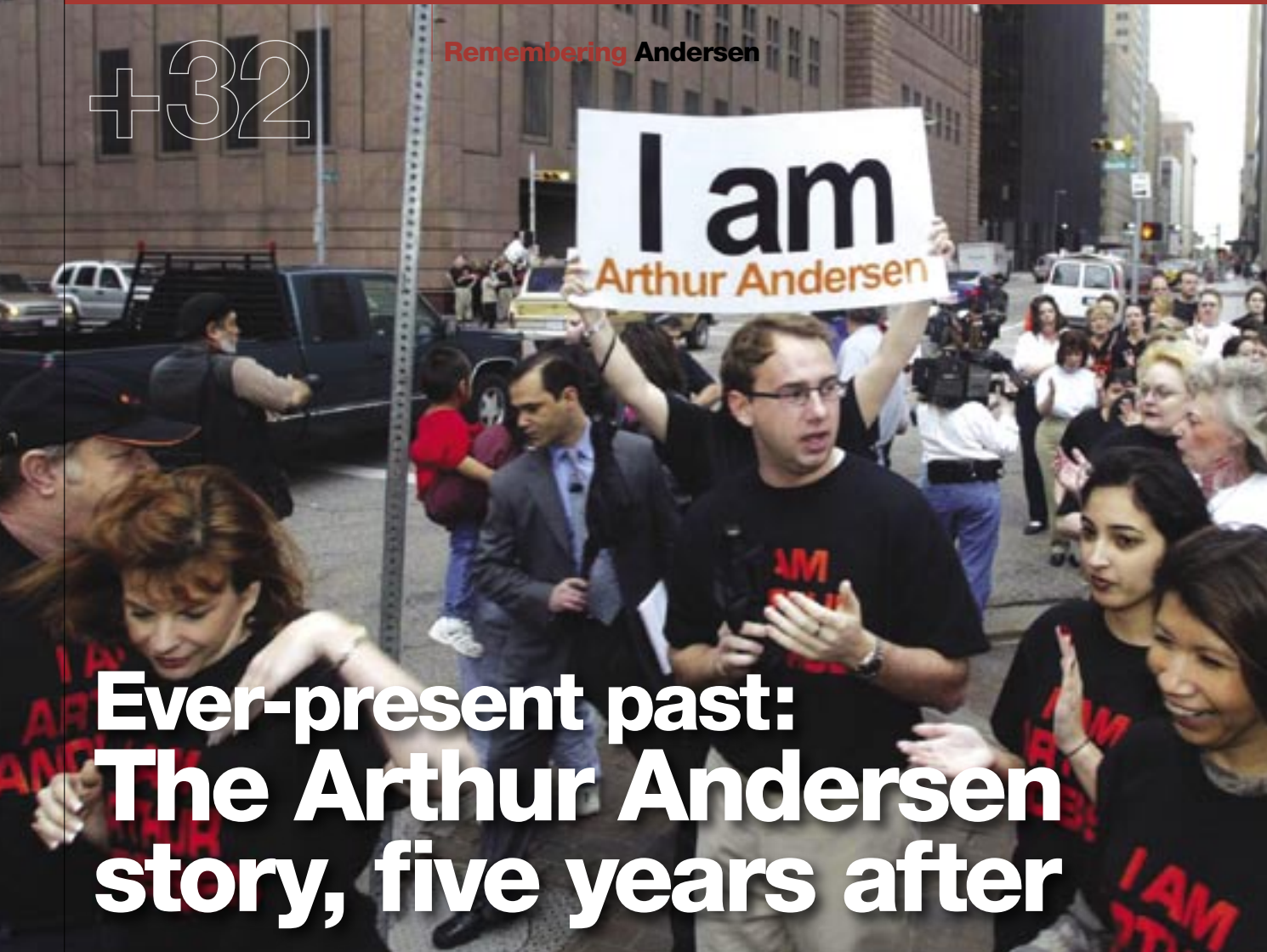


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Remembering Andersen



Ever-present past: The Arthur Andersen story, five years after

By Parvathy Ullatil

"In the business world, the rearview mirror is often more clear than the windshield."

— Warren Buffet

Veteran accountant Alan Aw seems to be in complete agreement with Buffet's sentiments about the power of hindsight. The former managing partner of Arthur Andersen's Hong Kong operations was at the helm of the office in 2002 when

the U.S. accountancy giant was found guilty of obstructing justice by shredding documents relating to its one-time client, the failed energy company Enron Corp. Aw smoothed the transition of his former associates and clients when rival PricewaterhouseCoopers bought the Andersen practice. After 25 years of being married to Andersen, hindsight is kind to Aw. "Thinking back, we know we did the best we could at that time and under those circumstances," he says.

Aw does not betray any sign of bitterness as he relives those last few months at Andersen. When he speaks

of the firm, it is with the affection and indulgence one often reserves for thoughts of one's *alma mater* or a dear childhood friend: "Andersen was my life."

Explaining the atmosphere in the office at the time, Aw says, a "real open door policy" and the strong bond among employees helped him steer his team through the difficult winter months between December 2001 and February 2002. As there was no precedent to suggest what Andersen's fate would be, even those in the top echelons were unsure which way the trial might swing, Aw recalls. Andersen had a formidable reputation in the business world and the thought



“The overwhelming feeling was that of sadness. Everybody was hurt Andersen was going to disappear.”

that an event in a remote office – involving a handful of employees – could cause the collapse of this professional icon was almost surreal. Aw had so much faith in the firm he took a holiday to Japan while the trial was on in the U.S. courts because he thought it was going to be okay.

The bad news started to trickle in over the next few months but the final indictment of the firm still came as a shock, Aw says. “We did not believe we had done anything wrong – certainly not to the extent of causing the U.S. government to indict the firm, which eventually led to its collapse. That was a wrong judgment.”

The firm’s vindication in 2005 upheld Aw’s belief that the firm had been unfairly punished.

Throughout the trial, Aw shared the information he got from the firm’s global leadership with the rest of his staff, confident the firm would pull through. He worked hard to keep clients’ faith. “The top priority was to keep the focus on our clients. We couldn’t afford to have our employees distracted by the events unfolding in the U.S.,” he says.

Disintegration

Meanwhile, Andersen had begun a piecemeal sale of its global businesses to other accounting firms and by July 2002, its Hong Kong office merged with PwC. Aw recalls many employees reacted calmly to the announcement when it was finally made. “Most employees knew it was coming. The overwhelming feeling was that of sadness. Everybody was hurt Andersen was going to disappear,” says Aw.

The fact that all of Andersen’s tax and auditing staff in Hong Kong and China moved as a team to PwC was a remarkable feat, Aw says. “I am grateful to our people... there was so much unity behind the firm, behind

the leadership that we would stay together through thick and thin, that we would support each other... For [them] to be willing to stay together and move over to another firm speaks a lot about their loyalty to Andersen.” Aw himself became a partner at PwC and retired from the firm last year. He joined Ernst & Young as a senior advisor in June after a one-year break during which he travelled extensively.

In May, Aw arranged a reunion of ex-Andersen employees and nearly 200 of his former colleagues turned up. Though many of the accountants at the party that night had left the profession to take up important positions in business, there was one thing that bound them together – the way they felt about Arthur Andersen.

Andersen’s charm

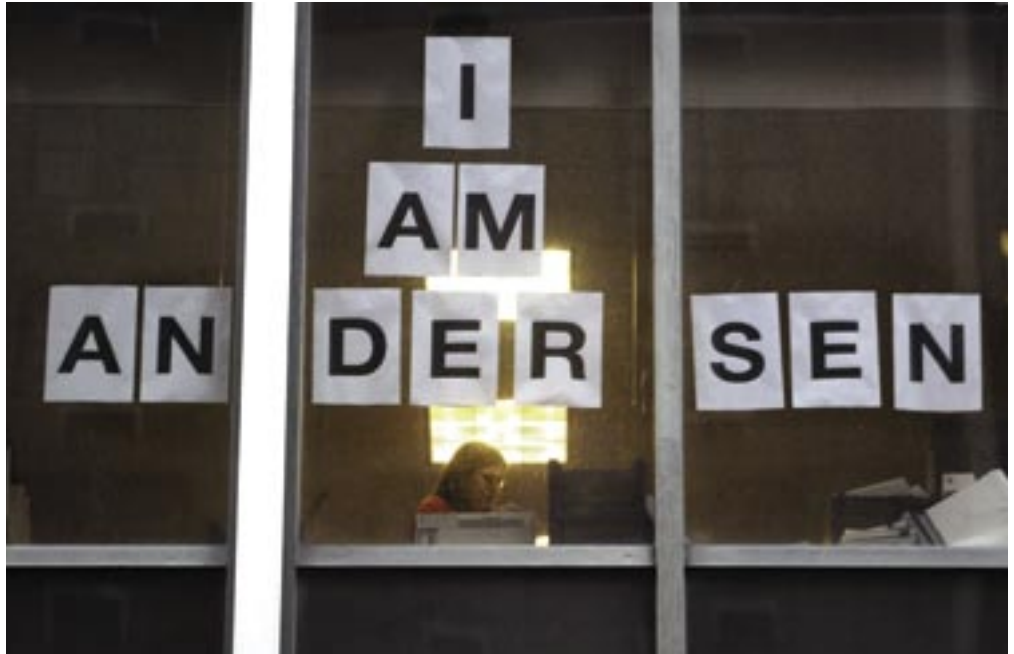
So what was it that gave Arthur Andersen people this sense of belonging? For Aw, it is the concept of stewardship. “Once you join, you should be building up the firm and helping to make the firm a better place... That was the spirit that we were all brought up with.” Andersen’s success was built on four pillars – people, clients, quality and financial

performance, but of the four, “people are clearly the key,” he says.

An emphasis on training and mentorship was the firm’s specialty. As another ex-Andersen employee Tommei Tong remembers, “A fairly high percentage of the firm’s annual budget was set aside for training. Also we were given an opportunity to do everything right at a junior level.” Tong,

now the CEO of media conglomerate TOM Group, started her career with Andersen in the 80s after graduating from university. She rose through the ranks quickly and was picked to help set up the firm’s practice on the mainland in 1990. She left the firm two years before it collapsed, but says Andersen’s work culture and the exposure she got played a big role in her ascent to the top. “From working with Arthur Andersen, I learned how to lead a team and think out of the box,” she says.

Apart from stewardship, many people in the profession believe Andersen was far ahead of the game in terms of its business practices and ideas. The firm had “very long-term strategic plans unlike the others in the business. It was often much more global in its thinking,” Aw says. Many ex-Andersen employees used the



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Internet to share their sense of loss after parting with the firm.

Many former Andersen employees in Hong Kong, however, preferred not to revisit the past and declined *A Plus*’ requests for interviews. This is natural, says Michael Liu, an industrial and organizational psychologist. “Their parting from Arthur Andersen did not happen under happy circumstances and though none of them were personally implicated, this is not an experience any of them will want to be reminded of,” he says.

Prompting changes

Andersen’s collapse stirred up a hornet’s nest in the corporate world and forced governments, companies and accountancy firms to look inwards and figure out their sense of ethics. The episode and a string of other corporate and accounting scandals at that time

brought in its wake much debate and discussion on tort reforms and limiting liability of accountancy firms. It prompted the U.S. government to reform public company accounting and brought about the introduction of the highly controversial Sarbanes-Oxley Act.

Looking back, Aw says “there was obviously some good that came out from the Andersen sacrifice. The standard of auditing had probably improved a great deal since 2002. People are more concerned about clients’ integrity. The acceptance of clients process has become much more stringent.” The firms now educate their staff about the importance of business ethics and clients are more diligent with their internal controls. But to the many former employees of the firm, they may simply remember Arthur Andersen as their best job experience. **A+**