

## **Andersen fighting a losing battle to retain staff**

By Deepa Babington

NEW YORK, Jan 16 (Reuters) - A sterling name, a fat salary and a resume that boasted of experience at a Big Five firm.

Those were the goodies that came with a job at accounting giant Arthur Andersen just a few years ago.

The collapse of one of Andersen's biggest clients, energy trader Enron <ENRNQ.PK>, has changed that. These days, Andersen is synonymous with accusations of bungled audits, and the talk now focuses on whether the firm can survive the scandal.

That's why recruitment and accounting industry experts predict the blue-chip firm soon will see an exodus of its best and brightest.

After all, say experts, who would want to stick with a firm that has its name dragged through the mud?

"Reputation acts like a magnet," said Charles Fombrun, executive director of the Reputation Institute and a professor at the New York University's Stern School of Business. "But it can also be a negative force and push people away."

In fact, **Kramer Executive Resources**, a New York-based recruiting firm for accountants, says it is already talking to several Andersen employees looking to jump ship.

**"They are concerned about what the future is going to be because this (scandal) is not going to go away soon," said Alan Kramer, president of the recruiting firm, referring to the Andersen employees is working with. Its not just employees within the auditing side of Andersen, but people from the other business segments of the firm that are looking for greener pastures, said Kramer.**

The No. 5 accounting firm has been waging a desperate battle on all fronts following a set of staggering disclosures surrounding its audit of the collapsed energy trader. On Tuesday, the firm said it would fire the Andersen partner who handled the Enron audit, saying he ordered Enron-related documents to be destroyed.

Complicating matters further, an attorney for that partner said he did no wrong and was simply following instructions of an Andersen lawyer.

### **WHY BUY INTO A PARTNERSHIP?**

The employees most likely to ditch Andersen are the junior employees close to becoming partners in the firm and those that are close to retirement age, said Mark

Cheffers, an accounting expert who heads accounting consultancy firm AccountingMalpractice.com.

It typically takes 10 to 12 years before employees are invited to join the firm's partnership, said Cheffers. That involves shelling out a chunk of one's paycheck since those invited have to buy their stake of the partnership, he said.

But given the uncertainty clouding Andersen's future, junior employees are less likely to invest their paychecks in either joining the partnership or staying on with the firm, he said.

Though much of this is governed by a firm's rules, those partners set to retire are also likely to try to get their share of the partnership bought out by the firm, he said.

Economics of the situation apart, many employees are likely to leave simply because the lure that brought them to Andersen -- its prestige -- is no longer there.

Employees may also be running away from any actions the company will take within the firm if it indeed loses potential and existing clients, says The Reputation Institute's Fombrun.

Those actions could include a hiring freeze to compensate for a loss in business plus pruning down some of its operations because the firm is under pressure to tighten its internal control system, said Fombrun.

An Andersen spokesman did not return calls seeking comment. But the firm has said that it is not shrinking from its responsibilities and that it will be a better and stronger firm as a result of recent events.

## **A MAJOR REVERSAL OF FORTUNE**

However, some experts do agree that given the labor market that has many begging for jobs, the Enron saga may not open the floodgates yet.

"But as soon as the wraps comes off the economy, people are going to be on the move again," said Barry Lawrence, a senior career adviser with recruiting firm Career Builder. "The object of the game is to be the employer of choice and this certainly takes you a notch away from that."

Nevertheless, losing employees would be an abrupt about turn for a firm known for catching the best and brightest in the accounting industry.

With the exception of the No. 1 accounting firm, PricewaterhouseCoopers, no other firm commanded the respect and attention of college graduates like Andersen, says Cheffers. Other industry experts recall how the "Arthur Andersen" label was the gold standard among accounting firms.

When Enron first began to unravel, Andersen came under fire for blessing the energy giant's books that conveniently left out partnerships laden with debt off its balance sheet.

But the firm's credibility and its claim as an independent auditor lay in tatters after the firm admitted it erred in auditing Enron's books and then disclosed that it had destroyed documents.