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## MULTINATIONAL

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### Andersen Tax Bets on a Name That Outlived a Stigma

by William Hoke

While the Big Four professional services firms try to be all things to all clients, a California-based firm has resurrected a venerable name and tradition as it focuses on becoming a key player in international taxation.

Normally, when a business reaches into the past in hopes of building goodwill and inspiring confidence going forward, it harkens back to something that was well known and respected. By trying to build on the name and reputation of the old Arthur Andersen accounting firm, Andersen Tax LLC hopes that potential clients and staff will look beyond the scandal that brought its namesake down and instead focus on the standards and quality of service that made it one of the most respected firms in its field.

In 2002 Arthur Andersen gave up its license to practice as a certified public accounting firm in the United States after it was found guilty of witness tampering for shredding internal documents related to an audit of Enron Corporation. The energy and commodities company had declared bankruptcy in late 2001 and its two top executives were subsequently convicted for conspiracy, fraud, and insider trading. Although the Supreme Court in 2005 unanimously overturned Andersen's conviction, by that time the firm's reputation was ruined and its professional staff long gone, many of them finding jobs with former clients and erstwhile rivals.

Shortly after Arthur Andersen's collapse, part of the firm's tax practice was acquired by Wealth & Tax Advisory Services Inc. (WTAS), a subsidiary of HSBC Holdings PLC. The unit was acquired in 2007 by the firm's management, which renamed it Andersen Tax LLC in 2014.

Andersen Tax CEO Mark L. Vorsatz said the firm, which is headquartered in San Francisco, started with 22 partners and 180 staff and has now grown to 400 partners and over 2,500 support staff. "We've added 76 offices in four and a half years, only two of which were in the U.S.," he said. Vorsatz estimated that 60 percent of the

firm's partners had previously worked for Arthur Andersen. "In the U.S., it's a much higher percentage because the original group were Andersen people," he said. "Now we're getting to a point where people have joined the existing firm and grew up in the ranks."

The decision to change the name wasn't easy, for obvious reasons. "Even though the conviction was on the audit side and tax had nothing to do with it, everybody remembers that Arthur Andersen got indicted and went bankrupt," said a tax lawyer in Canada, who asked not to be identified. "But there was a lot of cachet with the firm. They were the big tax minds. They're trying to play on the good part of that brand and ignore the whole Enron part of it."

### Stigma Didn't Stick

Considering the firm's rapid growth, the tarnish associated with the name Arthur Andersen after the Enron fiasco apparently didn't last. But the decision to change the name to Andersen Tax wasn't done at the spur of the moment, Vorsatz said. "When I first approached the partners about changing the name, I probably wouldn't have gotten much support," he said. "Today, most would say it was the best move we ever made."

Many of the firm's alumni agree. "Far from stigma, the name Arthur Andersen actually carries considerable cachet in the commercial world through its commercially powerful and high-achieving alumni and the perceived inappropriate regulatory action surrounding the ending of its audit practice in 2002," said George Rozvany — an Australian tax lawyer and author of a book on corporate tax ethics — who worked at Arthur Andersen.

Miguel C. Reis, a tax lawyer with PLMJ Sociedade de Advogados in Portugal, was an Arthur Andersen partner at the time of its demise. "I never felt any stigma attached to the Andersen name," he said. "On the contrary, after the Andersen people in Portugal joined Deloitte, we had clients insisting on having teams formed by former Andersen people and refusing the former Deloitte people, even saying they would pay a premium to have the former Andersen [staff]."

Vorsatz wasn't the only one who saw value instead of stigma in the Andersen name. In 2015

Stéphane Laffont-Réveilhac announced that he was the CEO of a firm based in Paris that had acquired the worldwide rights to the name Arthur Andersen. Andersen Tax took legal action and quickly notched up legal victories in the United States, India, and Brazil. Vorsatz said his firm recently reached a global agreement with the French firm requiring that it stop using the Andersen name. "We control the name everywhere," he said. Vorsatz said the agreement was confidential and he couldn't reveal any of its terms.

With the competition for the firm's name behind it, Vorsatz said Andersen Tax continues to focus on broadening its worldwide footprint. "Our expansion internationally was driven by our need for high-quality solutions outside the U.S. to serve our clients," he said. "We had a major technology company in Silicon Valley we were doing work for. It's one of the FANGs, and we lost that work to a Big Four firm about nine years ago because as they started expanding internationally, we couldn't serve them." (FANG is an acronym for Facebook, Apple, Netflix, and Google.)

### What's in a Name?

As it expands beyond the United States, some of the company's affiliates continue to use the names of their firms before they joined up with Andersen Tax. Others have adopted the name Andersen Tax & Legal. They are all members of the Andersen Global group, which was founded by Andersen Tax.

Reis said that while many former employees of Arthur Andersen are involved in the tax aspects of most of the key corporate deals, Andersen Tax & Legal has yet to make its presence felt in a significant way on the international stage. "Although I have had them representing the other party in a recent deal," he said.

Vorsatz said there are no plans to recreate Arthur Andersen in its entirety. "We do not have audit," he said. "We will not have audit and we will not have consulting. We will be tax and legal only."

Legal services will represent a far larger part of the firm's mix of services outside the United States, Vorsatz said. "If I look at a corporate buyer, the types of services that a law firm would provide to them have tremendous overlap with

what we're doing," he said. "Mergers and acquisitions, commercial, employment law, intellectual property — they all have a lot to do with what we're doing."

Vorsatz said the firm's practice in Paris is 60 percent legal and 40 percent tax. "So a partner in tax never goes to an opportunity without bringing somebody from legal, and vice versa," he said. "Outside the U.S., in many jurisdictions, you have to be a lawyer to practice tax. We see a tremendous amount of integration and, on the legal side, the U.S. firms have been expanding dramatically outside the U.S."

While only 37 of the world's top 100 law firms were based in the United States 15 years ago, Vorsatz said that number had grown to 81 by 2016. That doesn't mean, however, that their geographic moves have all been down a one-way street, he added. Vorsatz said that most of the U.S. and U.K. firms that went into Eastern Europe in pursuit of privatization work in the 1990s have since pulled out because they couldn't generate the per-partner profits they needed to sustain themselves as firms. "We look at the world more as a relationship business and not as a transaction business," he said. "For us, having a platform that is much more similar to the Big Four is more suitable to what we do, so we're trying to position ourselves as an alternative to the Big Four and as an alternative to the big law firms."

### Think Straight, Talk Straight

One aspect of Arthur Andersen that Vorsatz definitely wants to replicate is the old firm's "Think Straight, Talk Straight" mantra that he said was drilled into employees from the day they were hired.

"I am sure that if the Andersen culture is properly transmitted to the younger generations and they keep the 'Think Straight, Talk Straight' philosophy, they will certainly be able to eventually become the number one firm for professional services," said Reis. "They will just need to be really independent and avoid all types of conflicts of interests."

Scott Antel, a former Arthur Andersen tax lawyer now with Berwin Leighton Paisner LLP in the Middle East, said Andersen Tax would do well if it could recreate his old firm's culture, especially on employee development. "It spent 8 percent of

revenues on training," he said. "It was incredible."

Vorsatz said Andersen Tax is the only professional services firm he knows of that has a proprietary MBA program, with over 100 students taking courses on company time through an arrangement with the University of San Francisco. "If you quit, you don't pay us a nickel," he said. "That's an investment in our people."

Vorsatz added that the firm recently launched a program in the United States to help staff saddled with student loans. "If you work for us and have student loans, we'll pay \$100 a month on your student loan and gross you up for taxes. And if you stay for five years, we'll give you a \$6,000 lump sum." Vorsatz said the amounts will probably be increased after the first year.

Antel was one of several Arthur Andersen former employees who recalled the former Catholic college for women outside of Chicago that the firm converted into its international training center in 1970. "It cost money, but people felt they were being invested in," he said. "We had dinner one night and a guy came in and taught us how to pick wines. They had courses on table manners. They wanted their people to be better."

Antel said the other accounting firms didn't — and still don't — have the standards, culture, and consistency of product between offices that Arthur Andersen did. "The Andersen motto was 'Think Straight, Talk Straight,'" he said. "I can't think of anything more appropriate in the corporate world than that."

Rozvany said it is important that Andersen Tax emerge as a clear market differentiator to the Big Four firms based on what he said is the all-important business principle, set by Arthur Andersen's eponymous founder, of "ethical behavior at all times."

"If it stays true to its original ideals and makes the right moves based on what the multinational market actually wants in terms of risk-free tax structures, it will be the number one tax firm in the world within 10 years," Rozvany said. He added that it will take three to five years of hard work and commitment to get the overall culture right and in accordance with Arthur Andersen principles. "There is no point being a pretender passing off on the great AA name," Rozvany said. "Delivering anything short of the historical AA ideals would be commercial suicide."

### Compared to the Competition

Asked how he would compare Andersen Tax with the Big Four, Vorsatz replied that he believes in putting clients first. “I’m not going to tell how we’re better than the other firms,” he said. “I’m going to describe how we’re different. Many things we’re doing nobody else is doing. I’m not saying that’s terrific. We even have a handful of our partners who are selfish, and they would say, ‘Why are we spending a million bucks on student loans and why are we spending all this money on this program with the University of San Francisco?’ I would say our leadership to a person absolutely thinks that’s the right answer.”

Vorsatz said he looks at the Big Four more as confederations with cost-sharing arrangements. He gave as an example Deloitte U.S., which he said owns a processing facility in India that does its tax compliance work. “But my understanding is that the India Deloitte firm has no involvement in it and no financial interest in it,” he said. “At Arthur Andersen, we were fully integrated financially. That’s the direction that we’re moving towards.”

Vorsatz said that when he ran Arthur Andersen’s office in Silicon Valley, he could pull in people from the firm’s offices anywhere in the world to collaborate on a client assignment. “If I needed somebody in Italy to work on a project, I would send them the information and I would send them the charge number,” he said. “We had a global time-reporting system, so they would charge the job to San Francisco and I would bill it.”

In similar situations, most international firms would have to enter into two separate engagements with the client, or the foreign affiliate would enter into an engagement with the San Francisco office on a subcontract basis, Vorsatz said. “Arthur Andersen didn’t operate that way,” he said. “We are trying to be seamless to clients and we’re trying to be borderless.”

Vorsatz admitted that his plan was ambitious. “You’re constantly fighting the silo mentality of the firms,” he said. “It’s a cultural issue and you have to get them culturally oriented.”

### Local Autonomy

Despite the emphasis on forging a global culture, Vorsatz said Andersen Tax allows its

offices a large degree of local autonomy. “For key decisions, they have to get approval [for] hiring or firing partners, promoting partners, [and] moving a location,” he said. “All decisions below the partner level on compensation are made locally and they don’t have to consult with anybody.”

That decentralized approach could prove useful in persuading the heads of foreign firms to affiliate with Andersen Tax, especially considering Andersen’s tight timetable for becoming a serious competitor on the international stage. To realize his goal of expanding the firm to between 175 and 200 offices within five years, Vorsatz said it would be impossible to follow Arthur Andersen’s formula of sending U.S. employees overseas to build up teams from scratch using local hires.

Vorsatz said that when he talks to the people who run an existing practice about affiliating with Andersen Tax, there are only a couple of points he asks them to focus on. “If I were in your position, there are two things I would be concerned about,” he said. “One, I don’t want to make less money, and two, I don’t want anybody telling me what to do. [However, I also] say there are some things that have an impact on the firm as a whole — reputational issues — and we are going to tell you what to do on those things.” ■