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**Traditional Accountants and Business Professionals: Portraying  
the Accounting Profession after Enron**

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# **Traditional Accountants and Business Professionals: Portraying the Accounting Profession after Enron**

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## **Abstract**

Society's perception of the legitimacy of the accounting profession and its members is grounded in the verbal and visual images of accountants that are projected not only by accountants themselves but also by the media. The paper uses the critical literature on stereotypes to examine how books written for a general readership on Enron and other corporate failures portray accountants and accounting, and the implications their authors draw for corporate governance and the survival of the financial system. The paper explores how commentators have analysed the changing activities of accountants (including the rise of consulting) and have contrasted the personalities of "founding fathers" of the US accounting profession with their early 21st-century successors. The paper concludes that changing stereotypes of accountants may be evidence of "negative signals of movement" for the accounting profession, threatening accounting's ongoing professionalization project.

**Key words:** Accounting profession, Enron, stereotypes, professionalization, auditing, popular management.

# **Traditional Accountants and Business Professionals: Portraying the Accounting Profession after Enron**

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## **INTRODUCTION**

An understanding of the external images of accounting<sup>1</sup> and accountants is important to an appreciation of the roles of accounting in a broader social context. The accounting profession considers it necessary to project an image of confidence and respectability and to offer challenges, rewards and prospects in order to attract and retain the most talented members (for example, Buffini & Cornell, 2005; Kazi, 2006). Similarly, maintaining and enhancing jurisdiction over work, including the often hard-won privileges of the accounting profession, depends upon perceptions within the broader community of the education, expertise and ethics of professional accountants. Upholding the public's trust is essential not only for preserving respectability but also for ensuring the survival of accounting's status as a profession. Accordingly, it is hardly surprising that professional accounting associations strive to project a positive image of accounting and accountants in order to attract the best members, to extend jurisdiction over work, and to sustain and enhance the faith of the public in the profession. Much has been written about popular perceptions of lawyers and the legal profession (for example, Abel, 1997). However, relatively little scholarly attention has been paid to the issue for accountants.

The unexpected collapse of Enron and the bewildering demise of Arthur Andersen<sup>2</sup> in the aftermath sent shock waves through the accounting profession worldwide. The impact of Enron's collapse was greater because it was closely followed by the bankruptcy of WorldCom in the USA, while scandals and collapses involving companies such as HIH in Australia, Parmalat in Italy, Royal Ahold in the Netherlands and Equitable Life Assurance Society in the UK showed that this was not just a US phenomenon. "Enronitis" became a label associated with highly questionable accounting and auditing practices. Although these practices were widely condemned as they became public knowledge, they sharply undermined confidence in corporate financial reporting and auditing as well as corporate regulation. Professional accountants are currently striving to absorb and effectively deal with an ever-growing mix of new rules on corporate governance, audit independence and financial reporting, among other prescriptions. For instance, the Sarbanes-Oxley Act of 2002 in the USA enacted many reforms aimed at achieving improved corporate responsibility, enhanced financial disclosure, greater auditor independence and increased oversight of the accounting profession through the Public Company Accounting Oversight Board (PCAOB). Such "medicine" is necessarily being taken by a profession which, according to Brewster (2003, p. 4) "has forfeited what was nearly unconditional respect from the public".<sup>3</sup> Meanwhile,

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<sup>1</sup> In some parts of the English-speaking world, the word "accountancy" is commonly used to refer to the work activity of accountants. However, in the USA, the term "accounting profession" is more likely to be used, and as most of the evidence on which this paper is based is taken from US sources, we have used the term "accounting" instead of "accountancy".

<sup>2</sup> The firm originally known as "Arthur Andersen & Co." gradually dropped parts of this name, becoming "Arthur Andersen" in the mid-1990s and simply "Andersen" in 2001 ("Arthur Andersen re-brands . . . again", *Accounting*, April 2001, p. 15).

<sup>3</sup> Brewster forgets the many times in the past when the accounting and auditing profession has come under heavy public criticism, for example in the aftermath of the Wall Street Crash and in the late 1960s.

professional accounting associations are endeavouring to send positive messages about the post-Enron state of the profession (for example, Parker, 2005a) while the PCAOB in the USA is working to restore investors' faith in audited financial reports (for example, Parker, 2005b). Despite the considerable interest in the Enron scandal and its consequences within the critical accounting literature, (see, for instance, the special issue of *Critical Perspectives on Accounting* entitled "Enron.Con" – O'Connell, 2004) little attention has been given in the post-Enron period to studying the image of accountants. This is despite opinion poll evidence from the USA that the public perception of the prestige of accountants, already low before Enron, had fallen in the aftermath of the scandals of 2001 and 2002 (Belski & Pope, 2006), implying that "the greatest challenge for accounting is still its image" (Buffini & Cornell, 2005, p. 13).

In this paper, we have two objectives. The first is to examine how the existing stereotypes of the accountant were used by commentators (usually with a business background but not necessarily with accounting training) in the literature that emerged in the aftermath of the Enron collapse. To what extent do writers use the stereotypes explicitly? Even if there is little explicit use, do the stereotypes help us to make sense of the implicit messages being communicated by writers? The second objective is to examine how the existence and use of accountant stereotypes affects the legitimacy of the accounting profession. In particular, does what we call the *business professional* stereotype, which professional accounting bodies and firms apparently wish to institutionalize, actually subvert the legitimacy of the accounting profession in the eyes of society?

To answer these questions, we make use of a type of material hitherto little used in the critical accounting literature: popular books written for a general readership. We draw upon the large collection of books published during the period 2002 to 2006 on the Enron collapse, supplemented by a review of the smaller number of books considering other scandals, such as WorldCom and HIH. In addition, book-length studies of the fall of Arthur Andersen were examined, as well as authoritative contributions on corporate governance that appeared during this period. As well as reviewing what the commentators have written on the identity of accountants and the image of accounting in the immediate post-Enron period, this study also considers where authors' ideas are likely to have come from and the types of material that they appealed to in making their observations. The paper is structured as follows. The next section outlines the study's theoretical perspectives, and reviews prior studies of the "accountant stereotype". There follows a more detailed examination of the sources used and the evidence drawn from the sources, which, in turn, is followed by a discussion and analysis of the evidence. Conclusions are stated in the final section.

## **THEORETICAL PERSPECTIVES**

### *Legitimacy theory*

Consistent with the notion that organizations are part of a broader social system, the perspectives provided by legitimacy theory indicate that organizations do not possess an inherent right to own or use resources or even to exist. Society confers legitimacy upon an organization, where legitimacy is defined as "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part" (Lindblom, 1993, p. 2; also see Deegan, 2002, p. 292). Legitimacy theory itself relies upon the concept of a "social contract" (this version of legitimacy theory is also known as social contract theory), which is used to define the arrangement, explicit or implicit, between an organization and members of society (Deegan, 2002, p. 292; Mathews, 1993, p. 26). Under legitimacy theory, as stated by Deegan (2002, p. 293), "it is considered that an organization's survival will be threatened if society perceives that the organization has breached its social contract". Organizational legitimacy is, therefore, a resource on which an organization depends for its existence (Dowling & Pfeffer, 1975).

Under social contract theory, the cornerstone of morality is uniform social accords that serve the best interests of those entering into agreements. These agreements, of course, do not need to be written legal documents. Rather, social contracts are shared understandings of appropriate behaviour that guide social actors towards behaving in ways that are broadly recognized as moral. Contemporary versions of social contract theory are concerned with showing how individual and social group rights and liberties are founded on mutually advantageous agreements between members of society (Rawls, 1999). According to Shocker & Sethi (1974), a social contract is conceived to exist between the organization and the public at large, not just its owners (shareholders of a company, for example, or partners of a professional firm, such as a large international accounting firm). Legitimacy theory suggests that, where there is a severe breach of a social contract by an organization (that is, where there is a serious failure to comply with societal expectations) “the community may ‘revoke’ its contract to continue operations” (Deegan & Rankin, 1996, p. 54). In such circumstances, the costs of the organization continuing to operate can be perceived to be greater than its benefits to society as an ongoing entity. If this is the case, the social contract with that organization may be terminated. On the other hand, organizations that are perceived to be honouring social contracts are regarded as providing benefits to society in excess of costs and remain constantly poised to continue to enhance their performance. In this paper, it is suggested that Arthur Andersen’s failure to meet societal expectations in the Enron case was perceived as so severe that the firm’s social contract was revoked.

#### *Accounting’s professional project*

Organizations severely breaching social contracts may not only have their social contracts terminated but may also contribute to damaging the reputations of other organizations of a similar type. Hence the collapse of Arthur Andersen could be perceived as a threat to the survival not only of the remaining “Big Four” accounting firms but also of professional accounting bodies in general. As this study focuses on accounting and accountants, it concerns the ongoing professional project of accounting: the attempts of accountants both as individuals and operating through institutional structures such as firms and associations to establish and then maintain accounting’s status as a profession rather than a trade, craft or industry. The study, therefore, also draws upon the notion of social closure encapsulated in the sociology of the professions literature. Under this perspective, Larson (1977, p. xvii) graphically locates the professional project as “an attempt to translate one order of scarce resources – special knowledge and skills – into another – social and economic rewards”.

Carnegie & Edwards (2001, p. 301) have portrayed professionalization as a dynamic process involving a diversity of “signals of movement” towards occupational ascendancy that arise in periods before and after the formation of occupational associations (see also Lee, 2006). We claim that this dynamic, on-going process may also involve a range of “negative signals of movement” which, if particularly strong and sufficiently high profile, may hinder or even divert the professionalization trajectory of accountants not just within a single country but internationally. In this study, the evidence to be presented of post-Enron perceptions of accounting and accountants is further informed by theory relating to the dynamics of occupational groups, especially perspectives in accounting’s professionalization literature that broadly place an emphasis on *process* rather than on *outcomes* (see Carnegie & Edwards, 2001, p. 303; Chua & Poullaos, 1998, p. 157). Accordingly, the findings of this study of the literature of Enron are interpreted using a combination of legitimacy theory and perspectives on the dynamics of occupational groups.<sup>4</sup>

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<sup>4</sup> Other theories that have been used to help achieve an understanding of the Enron/Andersen debacle include agency theory (Arnold & de Lange, 2004), financialization (Froud, Johal, Papazian, & Williams, 2004), and Giddens’ theories of late modernity (Unerman & O’Dwyer, 2004).

### *Stereotype theory*

The word “stereotype” originated in the context of printing, and the first prominent use of the word in a social science context was in the 1920s. The US journalist Walter Lippmann, in his book *Public opinion* (Lippmann, 1922), used the term to describe the simplifying “pictures” that we are alleged to form about the people and events that we encounter in society. Hinton (2000, pp. 7-8) suggests that stereotyping involves three elements. First, a group of people will be distinguished from the mass by reference to a given identifying characteristic. Common identifying characteristics for stereotypes are nationality, ethnicity, gender, age, occupation and appearance – thus the group of accountants could be distinguished from everyone who is not an accountant. Second, other (stereotypical) characteristics are associated with members of the identified group. For example, accountants may be thought of as boring. Finally, whenever we identify someone as belonging to a given group, we also attribute the stereotypical characteristic or characteristics to that person. So, if we identify someone as an accountant, we assume that he or she is boring. Hence, a stereotype is constructed from the set of characteristics that we automatically associate with members of an identifiable social group.

The early literature of stereotyping theory regarded stereotypes as essentially false and potentially dangerous, and stereotypes were seen as linked with prejudice – “most writers agree that stereotypes are undesirable and should be eradicated” (Brigham, 1971, p. 30). More recent exploration of stereotypes, particularly within social psychology, has tended to regard stereotypes more neutrally. Two useful aspects of the stereotype have been identified: the “prototype” (Mervis & Rosch, 1981) and the “schema” (Fiske & Taylor, 1991). The “prototype” of a particular class of objects or persons is the “model” of that object or person that comes to mind as best representing the object or person. Everyone’s prototype is likely to be different: one person’s prototype accountant, for example, may be an actual accountant, while another’s may be a fictional accountant, a character in a movie or television programme. A “schema” is how we organize our knowledge and beliefs about a particular concept (such as a type of object or person). We may form schemas about occupational roles, such as that of an accountant. The schema will include characteristics that we attribute to accountants, such as dullness, and also expectations as to how they will act in given circumstances, for example, by keeping a tight control over expenditure. Schemas take for granted a certain degree of predictability: we expect members of particular groups to react in certain ways, and may be puzzled when they do not react as predicted. As Hinton (2000, p. 95) notes, “Stereotypes provide us with an interpretive framework by which we can explain the behaviour of others”.

An important question raised by stereotype theory is how far stereotypes are rigid or open to change. If they can be changed, what processes are likely to be effective? There is substantial evidence that stereotypes are difficult to change, and it has been suggested (Johnston, 1996) that an important factor in this is the tendency of those holding stereotypes to give greater weight to cases that confirm the stereotype than to cases that appear to challenge the stereotype. This process can sometimes take the form of a self-fulfilling prophecy (Snyder, Tanke, & Berscheid, 1977), where action taken on the basis of a stereotypical view of an individual or group leads to consequences that reinforce the stereotype. For example, those recruiting potential accountants for professional firms may have a stereotypical view of accountants as “good at numbers, bad at words”, and consequentially may favour applicants offering such attributes. This will tend to reinforce the stereotype. Even where high-profile individuals in a particular group seem to challenge the stereotype, they may be bracketed off as a “subtype” rather than leading to a revision of the stereotype (Kunda & Oleson, 1995). For example, if the standard stereotype of accountants is that they are uncreative, the existence of some “creative” accountants may not lead to a

general revision of the stereotype, rather these individuals will either be located in a subtype, leaving the existing accountant stereotype unchanged, or perhaps will not be considered “real accountants” at all.

Stereotypes are not just a matter of how individuals perceive “others”, but also about how individuals locate themselves, or are located by others, as members of particular groups.

It is the groups to which we belong that establish our *social identity*: who we are in our society, such as woman, Asian, grandmother, accountant, golf club member, gay, Ford driver, etc. Further, group membership is associated with self-esteem, in that if we belong to a favoured group then it will reflect positively on our social identity. (Hinton, 2000, p. 113, emphasis in original)

Tajfel & Turner (1986) developed Social Identity Theory as a way of explaining how we categorize ourselves as members of various social groups. But different groups have different status in society. “The position of some groups in society may be seen as *legitimate* in that their status is accepted by other groups, such as the status of doctors” (Hinton, 2000, p. 115, emphasis in original). Stereotypes are important in Social Identity Theory because they sum up the attitude of society to different groups. Individuals will prefer to be members of groups with positive stereotypes rather than those with negative stereotypes, and legitimacy in the eyes of the public will normally be regarded as an attribute contributing to a positive stereotype. Where members of a group believe that their group is being stereotyped negatively, they have three options: they can ignore the negative stereotype, leave the group, or work to change the stereotype. The option of leaving the group may be virtually impossible (for example, ethnic and gender groupings) or considered to be undesirable (for example, occupational groupings where a considerable amount of effort has been invested in becoming a member). Ignoring the negative stereotype, or even accepting and playing up to it, may be acceptable if significant costs do not flow from this. But members of a group burdened with a negative stereotype are more likely, if they wish to enhance their social status, to work to change the stereotype. We are able to observe this in relation to accountants.

#### *The accountant stereotype*

Professional concern regarding the negative stereotype of the accountant has been expressed for at least 40 years. DeCoster & Rhode (1971, p. 651) observe:

‘The popular stereotype of a Certified Public Accountant is often in conflict with the image desired and held by the accounting profession. The typical stereotype depicts accountants as cold, aloof, and impersonal. In contrast, CPAs consider themselves skilled in the inter-personal abilities necessary to maintain successful client relationships.’

The study by DeCoster & Rhode (1971) stimulated a literature focusing on the extent to which accountants actually exhibited the personal characteristics implied by the perceived negative stereotype (for example, Bedeian, Mossholder, Touliatos, & Barkman, 1986; Granleese & Barrett, 1990). More recently, this literature has investigated the extent to which attitudes to the accounting profession and the stereotype of the accountant are formed at university (for example, Marriott & Marriott, 2003; McDowall & Jackling, 2008). We do not explore in detail the questions of how attitudes to accounting are formed and how accurate various stereotypical views of accountants are as descriptions of actual members of the profession. In this paper, we concentrate on how stereotypes of accountants and accounting are used, explicitly or implicitly, in more general contexts.

In recent years, increased scholarly attention has been given to examining the popular perceptions of the accountant and of accounting. Studies have examined representations (in both words and pictures) of accountants in the movies (Beard, 1994; Holt, 1994; Kyriacou,

2000; Dimnik & Felton, 2006; Felton, Dimnick & Bay, 2008), the media (for example, Smith & Briggs, 1999; Friedman & Lyne, 2001), art (Yamey, 1989), humour and satire (Bougen, 1994; Chandler, 1999), novels (West, 2001), the business press (Ewing, Pitts, & Murgolo-Poole, 2001), job advertisements (Hoffjan, 2004) and “Big Four” recruitment literature (Jeacle, 2008) while writers such as Gallhofer & Haslam (1991), Cory (1992), Maltby (1997) and Parker (2000) have investigated popular perceptions of accounting and its place in society. Two major accounting stereotypes emerge from this literature. We refer to the first of these as the *traditional accountant*, although it is often also called the *beancounter* stereotype (see in particular Friedman & Lyne, 2001). The second stereotype is a more recent one, in part a construction of professional accounting bodies and large accounting firms. In tribute to a term introduced by the Institute of Chartered Accountants in England and Wales (1987), we refer to this second stereotype as the *business professional*, although it could also be thought of, in the term used by Jeacle (2008), as the *colourful accountant*.

As Friedman & Lyne (2001) point out, in practice the stereotypes of accountants are nuanced rather than simplistic, and different elements contribute to the definition of the stereotypes. The stereotype of the *traditional accountant*, typically seen as male, has both positive and negative characteristics, collectively constituting a schema (Fiske & Taylor, 1991). Positively, the *traditional accountant* is honest and trustworthy, careful with money, painstaking, reliable, polite and well-spoken. Negatively, the *traditional accountant* is dull, boring and colourless, excessively fixated with money, pedantic, uncommercial and shabby. The term “beancounter” is an “unappealing persona” which “haunts the accounting profession” (Jeacle, 2008, p. 1296) as the “shadow of the stereotype still lingers drearily over the public conscious” (Jeacle, 2008, p. 1297). *The Chambers Dictionary* (2003, p. 128) defines a beancounter as “an accountant, *esp.* one considered parsimonious or unsupportive of creativity”. This traditional stereotype casts the accountant as “single-mindedly preoccupied with precision and form, methodical and conservative, and a boring joyless character” (Friedman & Lyne, 2001, p. 423). Dimnik & Felton (2006, p. 129) acknowledge how accountants have agonized for many years over their “dull, unappealing image” and note the efforts of professional accounting associations and international accounting firms to shed this image by improving “the attractiveness of the profession”. Dictionary definitions of the “beancounter” originated in the United States in the mid 1970s (Friedman & Lyne, 2001, p. 433) and followed the now legendary Monty Python<sup>5</sup> sketches of the late 1960s, which mercilessly ridiculed accountants (Freidman & Lyne, 2001, p. 433; Jeacle, 2008, p. 1297). The beancounter stereotype was seen by the Australian government, in a report entitled *Beyond bean counting* (APSC, 1997), as something that needed to be transcended in order to achieve better public management (see also Bisman, 2005).

Parker (1999), in a presentation entitled “From brown cardi to gold Gucci: Progressing the profession’s image in the new millennium”, makes use of metonymy to contrast the *traditional accountant’s* stereotypical shabbiness with the *business professional’s* slick dress sense. Another metonym for the *traditional accountant* is the “green eyeshade”, a translucent piece of coloured celluloid attached to a piece of string and traditionally worn by clerks and other people working with paper to shade the eyes from harsh overhead lights. The green

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<sup>5</sup> Bougen (1994, p. 320), in his review of humour and the accountant stereotype, quotes from the famous UK television comedy show *Monty Python’s Flying Circus* broadcast by the BBC on 21 December 1969: “Our experts describe you as an appallingly dull fellow, unimaginative, timid, lacking in initiative, spineless, easily dominated, no sense of humour, tedious company, irrepressibly drab and awful. And whereas in most professions these would be considerable drawbacks, in chartered accounting they are a positive boon.” (The full text of the “Vocational Guidance Counsellor” sketch from Episode 10 of *Monty Python’s Flying Circus* is available on-line at several locations, including <http://orangecow.org/pythonet/sketches/vocation.htm>). In Episode 2, first broadcast on 12 October 1969, the actor Graham Chapman portrays a down-market accountant, in brown suit and trilby, saying “I’m a chartered accountant, and consequently too boring to be of interest” (<http://www.orangecow.org/pythonet/sketches/mouse.htm>).

eyeshade image is probably more potent in the USA than in the UK, and it tends to characterize the accountant as a clerical office worker (effectively a bookkeeper).<sup>6</sup> In the second presidential debate with John Kerry (8 October 2004), President George W. Bush used the expression “battling green eyeshades” to refer to the controversy over different calculations of the annual amount of tax being avoided by the US rich, implying that the numbers did not really matter (Watson, 2006). In the UK, the green eyeshade image is less significant, perhaps because the concept of the “chartered accountant” as a professional figure is more embedded. In their various portrayals of chartered accountants, the Monty Python team of comedians often dressed their characters in dark three-piece suits, stiff-collared white shirts and bowler hats, the “uniform” even as late as the 1960s of bankers in the City of London and senior civil servants in Whitehall. The British traditional stereotype of the accountant places him (and again the stereotype is male) in a higher social category than the American clerk with the green eyeshade.

As Ewing et al. (2001, pp. 26-27) point out: “If a profession has developed a stereotypical image in its publics’ minds, it is vital to determine if the stereotype is a benefit or a detriment to that profession. When it becomes apparent that the accepted stereotype is inhibiting the profession’s ability to accurately represent its members and attract new recruits, it is then necessary to counter the stereotype.” Professional accounting associations and major international accounting firms have endeavoured since the late 1960s to shake off the *traditional accountant* stereotype, so as to “recruit the best and brightest of students” (Smith & Briggs, 1999, p. 28) and to overcome the shortages of students seeking to graduate in accounting and enter the profession (ICAEW, 1987; “The Big Eight”, 1989; Anderson-Gough, Grey, & Robson, 1998; Albrecht & Sack, 2000; Dimnik & Felton, 2006, pp. 129-130). The image of the professional accountant “as a high flyer, a ‘jet-setting’ advisor” (Anderson-Gough et al., 1998, p. 56) was claimed to reflect the modern day careers at least of trainees in the profession. The recruitment brochures of leading accounting firms generally portrayed a career in accounting as dynamic and exciting; “they were high quality, glossy and colourful” (Anderson-Gough et al., 1998, p. 56). Posters of these firms depicted the same characteristics. These images were clearly intended to modify the traditional schema of the professional accountant.

Increasingly via text and image, professional accounting was portrayed as “anything other than auditing”, as audit work and the related responsibility for protecting the public interest conjured the notion of accounting as dull, colourless and boring. The public interest role of the profession was marginalized in modern depictions of professional accountants and their work. The *business professional* stereotype was used to counter the unfavourable impacts of the *traditional accountant* stereotype. According to Hopwood (1994, p. 229), “the previous boring and rather lowly clerk is now graced with characteristics of the executive, the manager and even the entrepreneur ... a thrusting, proactive and much more creative being”. The cliché became: “Accounting is the language of business” (Jeacle, 2008, p. 1316). To the education, expertise and ethics associated with professional accounting were added characteristics of entrepreneurship.

The notion of professional accountants as creative entrepreneurs may have been regarded as comical or even farcical by some and yet as faithful representation or even meritorious by others. For accountants, creativity came to be associated with the risk of deception (Friedman & Lyne, 2001, p. 428). Bougen (1994), for instance, in commenting on the

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<sup>6</sup> In the 2005 musical version of the movie *The Producers* (directed by Susan Stroman), the accountant character Leo Bloom (played by Matthew Broderick) is shown in a large accounting office with rows of accountants sitting at desks with ledgers and adding machines. As Bloom sits down at his desk, he puts on a green eyeshade, thus matching all the other accountants in the office.

*business professional* stereotype, refers to the emergence of a rather unsavoury accounting character, associated with earnings manipulation, off-balance-sheet financing manoeuvres and even corruption. This corresponds with the “Villain” stereotype<sup>7</sup> of the accountant as “calculating, greedy, callous” (Dimnik & Felton, 2006, p. 152). Professional accountants with only a secondary consideration for protecting the public interest are more likely than not to adopt a stance of pleasing their client, with favourable implications for personal advancement, sometimes at any cost. Bougen (1994) was writing, of course, before the Enron collapse and the associated demise of Arthur Andersen. Such calamities only serve to further cement the impression that the modern *business professional* stereotype carries its own stigma of dishonesty and lack of respectability (Jeacle, 2008, p. 1318).

While the *traditional accountant* stereotype is primarily negative, it has at least one redeeming feature. The beancounter is associated with honesty and respectability; a lack of trustworthiness is not a character pitfall of the *traditional accountant* stereotype (Friedman & Lyne, 2001, p. 425; Jeacle, 2008, p. 1318). According to Jeacle (2008, p. 1318), “the stigma of the boring bookkeeper pales into insignificance when compared with the stigma of a greedy and exploitative professional”. On the other hand, the *business professional* stereotype “possesses no such time honoured qualities” (Jeacle, 2008, p. 1318). Enron and the other financial scandals in which professional accountants were implicated exposed the fragility of the accounting profession’s attempts to project *business professional* stereotype as a positive image.

## **THE POST-ENRON LITERATURE**

In order to identify the wide range of books inspired by the collapse of Enron in 2001, other corporate scandals around that time, and the fall of Arthur Andersen, extensive searches were conducted on the websites of leading on-line booksellers (Amazon.com, Amazon.co.uk, BarnesandNoble.com, Blackwell.co.uk). One of the authors used the opportunity provided by a visit to Houston, the headquarters of Enron, to identify and obtain a number of other books. The website Amazon.com provides links from individual books to other titles that have been purchased by a significant proportion of those buying the given books, and these links led to the identification of a small number of further titles. In order to provide a boundary to the research, books published after March 2006 were not included in the analysis.

The various searches identified a number of books of different types. The books identified have been classified into four groups:

I. Insider accounts: books written by (or with the active collaboration of) an individual or individuals actively involved in the events being described (mainly the collapse of Enron and the fall of Arthur Andersen).

II. Journalistic accounts: books written usually by financial journalists and based largely on press articles, augmented on occasion by interviews and public documents such as court proceedings and evidence. These draw on insider knowledge (usually obtained through interviews) at one remove.

III. Scholarly reflections: books written usually by academics (or having an academic style of exposition and presentation, with mobilization of conceptual arguments), often based on secondary sources but providing clear documentation of materials used. These books frequently reference insider and journalistic accounts.

IV. “Opportunists”: books referring in passing to Enron or other scandals but focusing mainly on unrelated or only partly related topics.

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<sup>7</sup> Dimnick & Felton (2006) identify, in addition to the “Villain”, four other stereotypes: the accountant as “Dreamer”, “Plodder”, “Eccentric” and “Hero”.

The relationship between these groups is illustrated in Figures

Figure 1.

[insert Figures

Figure 1 about here]

The books examined in this study are listed by category in Tables

Table 1. There have been relatively few insider studies, but several journalistic accounts. These vary from short pieces by journalists who had followed a particular company while it gave the appearance of success, and who tended to make use of their press cuttings as the principal source of their material, to substantial and detailed examinations. One of these (the study by McLean & Elkind, 2003) has formed the basis of a filmed documentary *Enron: The Smartest Guys in the Room*,<sup>8</sup> while another (Eichenwald, 2005), described on the dust-jacket as “a rip-roaring narrative of epic proportions”, extends over nearly 750 pages.

[insert Table 1 about here]

The books classified as “opportunists” use the name of Enron in their titles or in marketing materials, but this is a chance for the authors to exploit the publicity surrounding Enron to increase the likely interest in their books. For example, Barreveld (2002) reproduces material relating to Enron drawn from the company’s final published annual report, testimony at Congressional Hearings, and the Powers Report (Powers, 2002) with little commentary, the author using the book to expound his economic ideas. Schilit (2002) provides a new edition of a book on creative accounting first published in 1991, covering the issues of Enron briefly in a final chapter (pp. 259-264). The most curious “opportunist” is a spy thriller (Schwartz, 2003) that mentions Enron in the title but otherwise has no connection with the company – evidence perhaps that the name “Enron” has entered public discourse as shorthand for major corporate fraud.

In order to gather material from the books, we assigned each book to a “lead” reader, who read through their quota of books, highlighting and transcribing potentially relevant material. Some books contained detailed indexes: for example, Eichenwald (2005) gave 37 separate references to accounting and as many as 158 separate references to Arthur Andersen. The references were all checked to determine whether the related text contained material relevant for this research. After the initial reading, the “lead” reader sent a copy of the transcribed passages to the other researcher, who read the book quickly to ensure that no relevant passages had been omitted. Some of the accounting-related passages were descriptions of Enron’s accounting policies, and the processes by which they were approved: for example, McLean & Elkind (2003, pp. 39-42) provide a technical explanation of mark-to-market accounting for Enron’s energy contracts, while Eichenwald (2005, p. 53-61) embeds the technical description within a more personalized discussion of Enron’s negotiations over accounting policies with Andersen and the Securities and Exchange Commission. These passages were not analysed further, as the focus of the research is on the image of accounting and accountants rather than on substantive accounting choices or changing accounting

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<sup>8</sup> The movie, released in the USA in 2005 and in the UK in 2006, is produced by HDNet Films and Jigsaw Productions, directed by Alex Gibney and distributed by Magnolia Pictures.

policies.<sup>9</sup> The process of dual reading enhances the reliability of the data collection process, as it reduces the likelihood that material relevant to our discussion will have been overlooked.

### **The evidence – writing about accountants**

Given that Enron (and other collapses such as WorldCom and HIH) are often identified as accounting and/or auditing failures, we were surprised to observe a comparative lack of interest in accounting and auditing. This may be because the authors were typically financial journalists, whose training does not necessarily involve a deep understanding of accounting and auditing issues. In the studies of Enron, four main features usually attracted more than passing comment: the extensive use of mark-to-market accounting by Enron, and the problems that this entailed; the use of off-balance sheet vehicles; the relationship between Enron and its auditors Arthur Andersen; and Andersen's notorious shredding of documents. The two insider accounts of Andersen (Squires, Smith, McDougal, & Yeack, 2003; Toffler, 2003) focused more on the history of that firm and contrasted the character of the firm's founder Arthur E. Andersen (and subsequent senior partners such as Leonard Spacek and Harvey Kapnick) with the atmosphere of the firm in the 1990s and early 2000s. Claiming clues to the implosion of Andersen as having been apparent for some time, Squires et al. (2003, p. xiv) stated in their Preface that readers "will understand the long chain of events that eventually caused Andersen to fall".

However, passing comments can sometimes be more revealing of unconscious attitudes than explicit statements. Authors frequently reveal their attitudes to accounting and accountants by the way they describe key individuals, the contrasts they set up between the past and the present, how they characterize the activity of accounting and auditing itself, and what they take for granted as the "proper duty" of an auditor. Even single words that recur across different books can indicate widely held beliefs about what accounting and auditing, and the people practising these activities, are or ought to be. In the rest of this section, three themes (the character of accountants; profession or industry; and honesty, integrity and trust) are explored by reference to the books that were examined.

#### *The Character of Accountants*

Several writers refer to the stereotypes of accountants that have been documented in the scholarly literature. DiPiazza & Eccles (2002, p. 153) note how, in the aftermath of the Enron and other scandals, "Derisive jokes about corruption and scandal have replaced harmless humor about bean counters." McLean & Elkind (2003, p. 143) state that auditors "are supposed to be stick-in-the-muds who say no far more often than they say yes." Eichenwald (2005, p. 138) presents what he describes as "Hollywood's idea of an accountant: [a] boring technocrat with green eyeshades." Positive stereotypes are also offered: for example, Jeter (2003, p. 168) quotes the description offered by a neighbour of Cynthia Cooper, an internal auditor at WorldCom: Cooper was "totally honest, with a character trait this country needs more of, and that's integrity." Galbraith (2004, p. 66) notes that "individuals of inquiring mind had long regarded accounting as both competent and honest." However, authors tend to present the negative aspects of stereotypes as contrasts to how the accountant characters they describe actually behaved. Eichenwald, for example, is at pains to emphasise that Stephen Goddard, the original Arthur Andersen engagement partner on the Enron audit, was *not* like the Hollywood stereotype: "He was a specialist in client services, a backslapper who maintained a close relationship with the managers whose numbers his team reviewed" (Eichenwald, 2005, p. 143). In terms of stereotype theory, Eichenwald views Goddard as a member of a subtype (Kunda & Oleson, 1995). Several authors contrast the characters of David Duncan, the Andersen engagement partner responsible for Enron who

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<sup>9</sup> See Gwilliam & Jackson (2008) for a scholarly analysis of some of Enron's accounting practices.

was later prosecuted for obstruction of justice as a consequence of document shredding, and Carl Bass, a partner in Andersen's Houston office and a member of the firm's Professional Standards Group. Swartz describes Bass thus:

'Pudgy, with wiry red hair and a pasty complexion, raised in Bartlesville, Oklahoma, Bass was also a stereotypical, by-the-book, resolutely cheerless accountant. His nickname, in fact, from the very first year at Andersen, was Partner Basshole, because his social skills were inversely proportional to his technical skills. Colleagues wished he would spend more time on his golf game.' (Swartz, 2003, p. 235)

Eichenwald also emphasises Bass's concentration on technical matters:

'Unlike some colleagues, Bass didn't see his job as helping clients weave through the accounting requirements, twisting transactions for the desired result. His was a purer effect. In his mind, accountants were referees; they weren't supposed to join the team huddle with ideas on how to run the ball. His approach made Bass something of an eccentric among his flashier colleagues.' (Eichenwald, 2005, p. 140)

The last adjective in the previous quotation is significant: the writers often comment on how the modern auditor is very different from the auditor of previous generations. Differences are drawn at both firm and individual level. Swartz contrasts the original motto of Arthur E. Andersen, "Think straight, talk straight", with the firm's behaviour in the 1990s:

'[O]n the audit side, the company was staffed with younger and younger people who were brash and aggressive but knew less and less about actually investigating their clients' accounting practices. The people who made partner, in turn, were great salespeople but not as technically proficient. . . . [O]ld-fashioned accounting . . . was boring and didn't bring in enough money anyway. The new, unstated motto was 'Make it Work'. Give the client what he wanted.' (Swartz, 2003, p. 95)

Toffler (2003, p. 7) notes how "the white-shoed accounting firm known for its legions of trained, loyal, honest professionals – a place that had the respect, envy, and admiration of everyone in Corporate America – had lost its way." In terms of stereotype theory, Arthur E. Andersen is being put forward as a prototype of the *traditional accountant*.

Several writers exemplify Andersen's status as a prototype of the *traditional accountant* by reference to an early episode when, faced with a corporate president who wanted the firm to agree to some egregious earnings management, Andersen replied: "There is not enough money in the city of Chicago to induce me to change the report" (Squires et al., 2003, p. 32, citing Arthur Andersen & Co., 1974; McLean & Elkind, 2003, p. 144).<sup>10</sup> The rise to prominence of the Andersen firm is linked by both Toffler (2003, p. 15) and Skeel (2005, p. 103) to the work undertaken by the firm to reorganize the utility group set up in the 1920s by Samuel Insull, which collapsed spectacularly in the Great Depression. Both these authors describe the Insull business, which was a conglomerate in the US electricity supply network industry, as the Enron of its day. Arthur E. Andersen in particular is portrayed as a man whose firm "came to symbolize unyielding integrity" (Skeel, 2005, p. 103), as having "a reputation for straight talking" (Squires et al., 2003, p. 32), and as "a principled, even self-righteous, man" (McLean & Elkind, 2003, p. 143).

On the other hand, David Duncan is presented as a prototype of the *business professional* stereotype. Eichenwald (2005, p. 139) in particular seems to relish the contrast between Bass and Duncan. He notes that "Duncan rarely impressed anyone as a towering intellect",

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<sup>10</sup> In an article in the *Wall Street Journal*, Brown & Dugan (2002) tell the same story, attributing it to the firm's official history (Arthur Andersen & Co., 1988).

describing him as “something of a party boy” at university, and suggesting that Duncan was a regular drug-taker in his early years with Andersen. “Duncan was no accounting whiz, but nobody worried about that . . . [H]e struck some partners as top-flight where it mattered – his familiarity with Enron and a close relationship with its executives. His good looks and disciplined organization didn’t hurt, either” (Eichenwald, 2005, p. 139). A similar characterization of Duncan is offered by Swartz (2003, p. 234): “He was sharply handsome in a patrician sort of way, but his personality was soft. He thrived in the cushy, cozy Republican suburbs of West Houston, happiest when playing golf.” Skeel (2005, p. 180) also remarks on Duncan’s “regular golf outings and family get-togethers with his buddies at Enron.” Squires et al. (2003, p. 125) see Duncan as someone whose “profile matched that of an Arthur Android, but he also represented the 1990s generation within the firm.” They note that “Arthur Andersen often attempted to match its personnel to its client counterparts in personality, style, and even age. It was also thought that Duncan’s youth and aggressiveness would fit well in Enron’s ‘cowboy culture’ ” (Squires et al., 2003, pp. 125-126). Duncan is widely described in the books under review as a “star” within Andersen because of his ability to generate such substantial fee income from Enron.

### *Profession or Industry*

There is no consistent pattern among the books examined as to whether accounting and auditing as occupational activities are referred to as “profession” or “industry”. Perhaps unsurprisingly for a book co-authored by a Chief Executive Officer of PricewaterhouseCoopers, DiPiazza & Eccles (2002) almost invariably talk of the “auditing profession” and the “accounting profession”. Brewster (2003), however, uses the terms almost interchangeably (for example, on p. 19, “accounting profession” and “accounting industry” appear a mere 14 lines apart).<sup>11</sup> Several authors note the way in which the big accounting firms (not just Andersen) expanded into consulting, with audit often being used as a point of access for a firm’s consultants. Toffler (2003),<sup>12</sup> who had acted in a mainly consultant-type role within Andersen, saw the growth of consulting in general, and the unhappy relationship with, and ultimate divorce of, Andersen Consulting (now Accenture) from the main Arthur Andersen firm, as a catalyst for more aggressive behaviour by the firm. Toffler compares the firm to another occupation often stereotyped as dull and boring:

‘Like the librarian who takes off her glasses, shakes her hair loose, and transforms herself into a vamp, this once-practical, plodding, and reliable icon of American professional service firms was about to give itself a radical makeover.’ (Toffler, 2003, p. 137).

The use of the term “professional service firm” itself signifies how Andersen’s self-perception had shifted from regarding the firm as a “public accountant”. The change in nature of accounting firms has also been noted by Fusaro & Miller (2002, p. 146): “accounting firms have grown from stodgy partnerships to international consulting behemoths whose top partners make millions of dollars a year”. Overall, the authors are aware that accounting firms of the 21st century are very different from their predecessors of a hundred years ago.

This emerges in particular in the treatment of auditing and its relationship with consultancy. Brewster, who had worked for several years as communications director at KPMG, may

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<sup>11</sup> Squires et al. (2003, p. 173) manage to use the two formulations within consecutive sentences: “Changing the values of business and the accounting profession will require change that addresses the competition among accounting firms to get and keep audit clients at any cost. To date, no one has come up with an ideal plan to reform the accounting industry.”

<sup>12</sup> This book has been the subject of an extensive review by Boyd (2004).

occasionally come across as an apologist for the big accounting firms, a risk of reporting “from the inside” (Carnegie & Napier, 1996, p. 24), but he is willing to note how auditors came to undertake consultancy activities as a natural extension of the audit:

‘Accounting firms soon realized that through the audit relationship forged with a company, they might easily have an inside track to various projects throughout the client’s operations and administration. The auditor saw the company’s finances across all lines of business, became well-acquainted with the management team, and had front-row seats to operational problems at warehouses or far-flung locations.’ (Brewster, 2003, p. 10)

The problem was that auditors took this process too far, as the “client” shifted from external stakeholders to the company’s management:

‘Incredibly, the firms took a service on behalf of the shareholder and turned it into an information-gathering tool for the client. This served two purposes: (1) to sell consulting services that would inevitably result from this new information, and (2) to rationalize higher fees. As the audit report itself became a tool for the client rather than for the public, so, too, did the auditing team become an extension of the management team rather than a representative of the shareholders.’ (Brewster, 2003, p. 11)

More radical critics, such as O’Brien (2003, p. 107) see the involvement of auditors in consultancy as fundamentally undermining the value of the audit: “The invigilators had become partners, eschewing credibility, if not in all cases honesty.” In any case, while auditing is regarded by the authors as a “professional” activity, consultancy is not, even where the consulting is undertaken by a professional services firm. In terms of stereotype theory, the schema associated with the *traditional accountant* stereotype casts accounting as a “professional” practice, while the schema associated with the *business professional* stereotype, not surprisingly, projects accounting as a business or industry. Within accounting itself the increased involvement of auditors in consultancy was recognized as a “signal of movement” of accounting from profession to industry.

The contrast between accounting as a profession and as an industry is brought out in the books by the ways in which the Arthur Andersen firm is portrayed. According to McLean & Elkind, Arthur Andersen was “the most upright of the nation’s accounting firms” (McLean & Elkind, 2003, p. 143). Squires et al. note how Andersen was a firm conscious of its history: Little reminders of [Andersen’s] life and work were everywhere. An antique picture of a letter personally written by Arthur might hang in the lobby of a local office. The Andersen training center outside Chicago dedicated a section of the main building to an exhibit of his artefacts, including a pen, a ledger book, and an early time sheet. The halls of Andersen’s worldwide headquarters in Chicago were lined with visual reminders too. (Squires et al., 2003, p. 37)

The authors seem to be using a “then and now” contrast to point up how far Andersen (and modern auditors more generally) had changed over the 20th century. This is particularly the case for Skeel:

‘The Arthur Andersen who sorted through the wreckage of Samuel Insull’s empire prided himself on unflinching, uncompromising investigation of the companies he audited. The Arthur Andersen auditors who held their noses and signed off on the Enron and WorldCom financial statements were another breed altogether.’ (Skeel, 2005, p. 166).

But at the same time, some authors use a different narrative trope: “old sins cast a long shadow”. A crucial factor in the failure of auditors such as Andersen to resist the accounting manipulations of companies such as Enron and WorldCom was, as noted above, the reliance of Andersen on consulting income from audit clients. This was no new feature, however.

One of the characteristics that the authors claim distinguished Andersen from other public accounting firms was that, from the beginning, the audit was seen not just as an attestation function, giving an opinion or certificate on a set of financial statements, but also as an opportunity to provide general business advice to the company (Brewster, 2003, p. 57). Both Squires et al. (2003, p. 29) and Brewster (2003, p. 69) contrast the attitude of Arthur Andersen to consulting for audit clients with that of George O. May (senior partner and then chairman of Price Waterhouse between 1911 and 1940): while May believed in strict independence in appearance and in fact, and thought that auditors should do audits and not consulting, Andersen advocated “a new type of accounting, one that went beyond the numbers to really embrace the business problems of a client. His concept of auditing resembled consulting as much as it did accounting” (Toffler, 2003, p. 14). Although the Andersen insiders Squires et al. and Toffler argue that Andersen personally saw no conflict between audit and consulting so long as both activities were conducted with professional integrity, Squires et al. (2003, p. 38) describe consulting as a “Pandora’s Box” that Andersen left as his legacy to the firm. Andersen believed that the “sides of the box” – his personal values that he had inculcated in partners and staff, the belief that Andersen was a unified firm that spoke with one voice, and a strategy for training that may have been mocked for delivering “Arthur Androids” but was aimed at developing a uniform workforce with shared values – would hold secure. The authors of these books believe that the significant growth in consulting across the whole accounting profession, with Andersen in the vanguard, changed values so much that Pandora’s Box flew open, releasing negative values that ultimately pulled Andersen down.

#### *Honesty, Integrity and Trust*

If one word is representative of the authors’ attitude to accountants and auditors, recurring in many of the quotations provided in the previous sections, that word is “integrity”. This is a characteristic that “founding fathers” such as Arthur Andersen are described as possessing almost innately – it is thus an element of the *traditional accountant* stereotype. Integrity implies an upright and honest personality, and in the accounting context it is associated with a fundamental desire to act, and to be seen as acting, independently. Brewster quotes with approbation from a speech made in 1937 by Robert Montgomery (of Lybrand, Ross & Montgomery, a forerunner of PricewaterhouseCoopers):

‘Our profession always has had a vision – this urge to find and tell the truth – and we should cling to it and continue to strive for its accomplishment. I do not want to see our growth depend on anything else than that which has made us what we are today. We shall retain our strength just as long as we retain our independence – no longer.’  
(Brewster, 2003, p. 62)

Brewster claims that the successful accounting firms were those where the senior figures consciously saw themselves as owing a duty not just to the companies they audited but to the public welfare (Brewster, 2003, p. 63). Even into the 1970s, integrity would be manifested through an attention to public responsibility. Toffler (2003, p. 74), for example, describes the efforts of Harvey Kapnick, Andersen’s Chief Executive Officer from 1970 to 1977, in “help[ing] Arthur Andersen cement its image as a firm of integrity by creating a Public Review Board staffed by outsiders to oversee the Firm. . . . ‘A public accounting firm has a significant responsibility to the private sector of our economy, not only to clients but also to investors, creditors and the public,’ he proclaimed in 1974.”

However, the criticism of the accountants and auditors of the 1990s is that they are no longer persons of integrity.<sup>13</sup> “In the end, it was all about the bucks. . . . The four cornerstones of

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<sup>13</sup> If indeed they ever were: critics of the accounting profession, such as Mitchell, Puxty, Sikka, & Willmott (1994), have long suggested that professional claims to integrity are self-serving “smoke-screens”.

success at Arthur Andersen – People Management, Quality, Thought Leadership, and Financial Performance – were referred to colloquially as ‘three pebbles and a boulder’. The boulder was financial performance. The rest, it seemed, was a joke” (Toffler, 2003, p. 105). However, it is not the perceived decline in independence engendered by the growth of consulting for audit clients that tips the balance in the minds of most of the authors of books under review. The key episode that reveals the untrustworthiness of the previously trusted institutions of Andersen, in particular, and the auditing profession, in general, is the shredding of Enron-related documents in Andersen’s Houston office.<sup>14</sup> The notoriety of the document shredding made it possible for Andersen as a firm to be indicted for obstruction of justice, and thus “ended [Andersen’s] last hope of survival” (Eichenwald, 2005, p. 667). Journalistic accounts describe how a convenient reminder from Andersen’s Chicago head office to Houston about the firm’s documentation retention policy stimulated the destruction of large quantities of notes and papers, alongside the wiping of computer records. Although Squires et al. (2003, p. 16) suggest that few important documents were lost,<sup>15</sup> they are clear that the document shredding was the crucial event in the death of Andersen. They blame media interest for this: “The idea of a shredding machine churning paper into pulp had been an image that the media could dramatize” (Squires et al., 2003, p. 16). Swartz, reflecting the views of Enron insider Sherron Watkins, backs up this view that the Enron/Andersen debacle became so significant because it made a good media story:

‘[F]rom January through February 2002, the Enron story shifted from a reasonably contained accounting scandal to a full-blown, all-American morality play. . . . [T]his story, though complicated on its face, could be reduced to a few simple elements that anyone could understand, i.e., greedy executives live large while duping loyal employees and unwitting shareholders.’ (Swartz, 2003, p. 346).

More critical comments come from scholarly reflections. Brewster in particular stresses the loss of trust, as is clear from the subtitle of his book, *How the accounting profession forfeited a public trust*. He suggests that the loss of public trust has come in part from a growing public awareness that auditing is not about what “most members of Congress, the SEC, and the public believe it should be about” (Brewster, 2003, p. 295) – the detection of fraud. He also points to a lack of publicly-visible leadership in the Big Four accounting firms, contrasting this with the period from the 1920s to the 1980s: “Although men like Price Waterhouse’s George May and Arthur Andersen’s Leonard Spacek disagreed about almost every important accounting debate of their time, each of them contributed positively to the *public* discourse in the United States” (Brewster, 2003, p. 289, emphasis added). According to Hamilton & Micklethwait (2006, p. 181), “the auditing profession has never been held in less regard”.

Finally, though, is it fair to put so much blame on auditors? O’Brien, for one, views the loss of trust as endemic to the financial system: “The integrity of the system itself has become increasingly problematic because of the skewed relationships inculcated by a business culture that preached a gospel of untrammelled market dominance” (O’Brien, 2003, p. 6). In a similar vein, according to Squires et al.:

‘Arthur Andersen’s story is about the conflicting environment in which public accounting operates in the U.S. – conflict between serving the public interest and

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<sup>14</sup> It is significant that the insider account by Cruver (2003), though virtually silent on accounting and auditing issues, plays off the shredding episode in the book’s subtitle *The unshredded truth*. Bryce (2003, pp. 6-7, emphasis in original), writing that “The once-great accounting firm Arthur Andersen wasn’t just in bed with Enron, the venerable firm was providing the energy company with auditing and consulting services, while sharing office space – *free shredding!*”, assumes that readers will understand the allusion without any need for explanation.

<sup>15</sup> The US Supreme Court ultimately overturned Andersen’s conviction for obstruction of justice in respect of Enron-related document shredding (Teather, 2005).

maintaining profitability. Although Andersen's partners must carry some of the blame for the firm's fall, they were also caught in a system where manipulating accounting guidelines and rules *to please the client* was often not only legal but rewarded by clients.' (Squires et al., 2003, p. 165, emphasis added).

The notion of "pleasing the client" seemed to take precedence over the more traditional ideal of protecting the public interest through the audit process, and the Enron story provided a vivid illustration of this. If auditors gain legitimacy through their involvement in a "social contract", then questions about their integrity and a loss of trust in the audit process and in corporate financial statements can lead to a fracturing of the social contract, with wider ramifications for the professionalization of accounting.

## ANALYSIS OF FINDINGS

We have shown how popular business writers make use of both the *traditional accountant* and *business professional* stereotypes to characterize particular accountants and to set out norms of behaviour against which individuals could be judged. The general consensus of the books under review is that the *traditional accountant* stereotype is no longer descriptive of modern accountants, but that this may not be an altogether good thing. Brewster, for example, quotes from an article in *The New Yorker* in which the claim is made that nothing is duller than accounting. He describes this claim and other similar cases as "people who should have known better trot[ing] out tired old clichés about the profession" (Brewster, 2003, p. 5). Brewster points out that "auditing is a high-stakes, complicated art that cuts across the fault lines dividing government and the private sector" (Brewster, 2003, p. 13). Fox is another author to reject the continued validity of the *traditional accountant* stereotype: Accounting firms were no longer the quiet conscience of business, stocked with professional introverts obsessed with numbers (one traditional industry joke said an extroverted accountant was one who stared at the client's shoes while speaking instead of staring at his own shoes). (Fox, 2003, p. 181).

Although the reputation of Carl Bass of Andersen, a prototype of the *traditional accountant* stereotype, seems to rank high in comparison with Duncan the Andersen star in the opinion of several writers, this may simply reflect Duncan's ill-fortune in being the public face of Andersen's downfall.

[insert Figure 2 about here]

Figure 2 provides an overview of the relationship between accountant stereotypes and the primary purpose of accounting that the stereotypes imply. The positive and negative characteristics of each stereotype are set out in the form of a "balance sheet". The *traditional accountant* stereotype is more strongly associated with the view that accounting is a profession, whose primary purpose is to serve the public interest. Client interests are not seen as determinative, but will be served as a by-product of the pursuit of broader public interests (as indicated by the dotted arrow). For the *traditional accountant*, the client is not "always right", and it is quite appropriate for the *traditional accountant* to be cautious, prudent and risk-averse. However, the *business professional* sees accounting as a commercial undertaking, and the main function of the *business professional* is to add value to clients through the provision of services, such as audit and assurance, tax advice and general consultancy, with a constant regard for spotting and exploiting further income generating opportunities. If there is any conflict in the provision of services, it is that an auditor may have to give a negative opinion on management plans and actions, but the most effective *business professional* is one who is able to support rather than oppose client management. The *business professional* serves the public interest indirectly, perhaps by helping to enhance the efficiency of capital markets and creating employment opportunities for accounting

graduates, but more likely through providing advice that enhances social welfare indirectly through corporate profit maximization (as indicated by the dotted arrow).

The schemas of both the *traditional accountant* and the *business professional* stereotypes have some positive and some negative characteristics. The promotion of the *business professional* stereotype by professional accounting bodies and international accounting firms was part of an attempt to manage the trajectory of professionalization, maintaining the positive attributes of professional status (the view that accountants were well-educated, provided expertise and behaved ethically) while expanding this to encompass notions of entrepreneurship. However, while the sudden collapse of Enron led to questions about the role of its auditor (DiPiazza & Eccles, 2002, p. 153), revelations about the shredding of documents by Arthur Andersen compounded public concerns, creating a perception that Andersen was in “cover-up” mode. The untimely shredding of Enron documents was perceived to be the antithesis of the conduct of an independent auditor with a focus on protecting the public interest.

Unfortunately for Arthur Andersen, the public trust in the firm had also been weakened by earlier “audit oversights”, including Baptist Foundation of Arizona, Sunbeam Corporation and Waste Management (Squires et al., 2003, pp. 118-122). If Enron was a crisis of huge proportions, WorldCom added more fuel to the inferno. Arthur Andersen had now moved to centre stage in the “all-American morality play” (Swartz, 2003, p. 346) that captured worldwide public attention. The firm was no longer to be trusted and, despite its past achievements and past reputation for integrity, clients scuttled away even before the outcome of the obstruction of justice case was known. The public had been awakened to an international accounting firm that had been aggressively enhancing its own interests at the expense of protecting the public interest. In losing its licence to conduct audits in the USA as a result of the adverse obstruction of justice verdict handed down, Arthur Andersen had already lost the public’s confidence.

Legitimacy theory claims that “the organization must appear to consider not only the rights of the investors, but also those of the public at large” (Deegan & Rankin, 1996, p. 54). Society was not satisfied that Arthur Andersen had acted in an acceptable or legitimate matter, and effectively revoked the firm’s “contract” to continue its operations (Deegan & Rankin, 1996; Deegan, 2002, p. 293). For Arthur Andersen, its breach of social contract was both shocking and fatal. It was a breach of a global social contract, immediately and harshly impacting on its operations around the world. In striving, above all else, “to please the client”, the firm had effectively displeased all of them, both the perceived clients – the firms being audited – and the implicit client – society as a whole. While Arthur Andersen was judged to be operating profoundly outside its social contract, it was also widely apparent that the firm was not an “outsider” but was part of a system. “The fall of Arthur Andersen is not a story about just one public accounting firm. At its root, the Andersen story is about an entire system” (Squires et al. 2003, p. 171). In summary, the system needed fixing. By means of the passage of the Sarbanes-Oxley Act (with the establishment of the PCAOB) and similar reforms in other countries, such as The Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (also known as CLERP 9) in Australia, governments began to exert more control over the accounting profession than hitherto, with intended positive implications for restoring trust in accounting and auditing.

That the public trust in accounting and auditing in general even needed to be restored in this way clearly points to the manifestation of a “negative signal of movement” in the dynamic process of the professionalization of accounting. Carnegie & Edwards (2001) argue that professionalization in accounting is a dynamic process involving a diversity of “signals of movement” towards occupational ascendancy that arise in periods before and after the

formation of occupational associations. The formation of such associations, in itself, is perceived as one visible public signal among a range of diverse but unconnected events that operationalize the closure process (Carnegie & Edwards, 2001, pp. 303-304). The signals of movement explored by Carnegie & Edwards were generally associated with upward *social* mobility, whereas the notion of a “negative signal of movement” is related to events which impact adversely on the organized profession as it strives to maintain and even enhance the status of qualified practitioners.

Accounting’s professional status, of course, had to be earned (see, for instance, Chandler & Edwards, 1994a, 1994b, 1996) and can never be assured (for example, West, 2003), especially when commentators within as well as outside professional practice choose to refer to the accounting “industry” rather than the accounting “profession”. The sweeping post-Enron global regulatory reforms are a stark reminder that the professionalization of accounting is a *process* rather than an *outcome*. As a dynamic process, it is necessary to acknowledge the time specific status of accounting as an occupation rather than to take its status for granted. Negative signals of movement, as influential events within the professionalization process of accounting, can be both global and debilitating. Meanwhile, as Fox (2003, p. 313) points out, “capitalism is a complicated enterprise, and the system won’t work without referees”. Preserving the independence of professional accountants, both in fact and in appearance, as the faithful “referees” remains accounting’s biggest challenge in maintaining its professional status, and from the perspective of professional accounting bodies it is necessary to ensure that independence is embedded as a core characteristic of the accountant stereotype. Any continued emphasis on pleasing the client at the expense of guarding the public interest<sup>16</sup> is likely to lead to the advent of further negative signals of movement in the professionalization process of accounting, to such an extent that it may become appropriate to identify a process of *deprofessionalization*.

## CONCLUSIONS

The book literature emerging in the aftermath of Enron makes use of accountant stereotypes to signal a movement in attitudes towards accountants. The *traditional accountant* stereotype is mobilized almost in nostalgia for a time when accountants may have been boring but could be relied on to be upright, independent and respectable in the mould of Arthur E. Andersen and others. On the other hand, the *business professional*, seeking to please the client, is shown to create serious concerns about the accounting profession’s integrity and competence. According to Brewster (2003, p. 283), “Enron prompted Congress to wonder if accountants were corrupt. WorldCom prompted Congress to wonder if accountants were incompetent”. As a result of such accounting and audit failures, the public trust in the profession established at an earlier time, largely on the basis of the dullness of accounting and related good-natured humour, “has today been squandered” (Brewster, 2003, p. 69). This has led to positive steps to ensure accounting honesty (Galbraith, 2004, p. 66), although the impacts of regulatory reforms around the world are currently (late 2008) being stress-tested under extreme economic conditions.

Paradoxically, though, the attempts of professional accounting bodies to overcome the *traditional accountant* stereotype in order to maintain or regain legitimacy (Tajfel & Turner, 1986; Hinton, 2000) may play into the hands of those who consider that the accounting profession may be beyond reform. The Institute of Chartered Accountants in Australia, for example, concerned about the reduction in student interest in accounting as a career, has been campaigning through advertising to “counter the perception of accountants as boring. ‘We

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<sup>16</sup> A critic of the tendency of accounting firms to lobby on behalf of preparers rather than users of financial statements is Arthur Levitt, former chairman of the Securities and Exchange Commission (Levitt, 2002).

are addressing the image of accountants with the message that to become a chartered accountant means you will be able to be successful in business,' says ICAA General marketing manager Marie Champion" (Kazi, 2006, p. 69). But will this mean that accountants will be trained to focus on the "boulder" of financial performance at the expense of the "pebbles" of people management, quality and thought leadership (Toffler, 2003, p. 105)? Does the *business professional* stereotype make entrepreneurship a "boulder" for modern accountants and their professional associations, leaving education, expertise and ethics as professional "pebbles"? If so, then accountants may find that society at large will not be prepared to renegotiate social contracts on terms with which the large accounting firms will be comfortable. This could lead to the deprofessionalization rather than the continued professionalization of accounting.

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## Tables

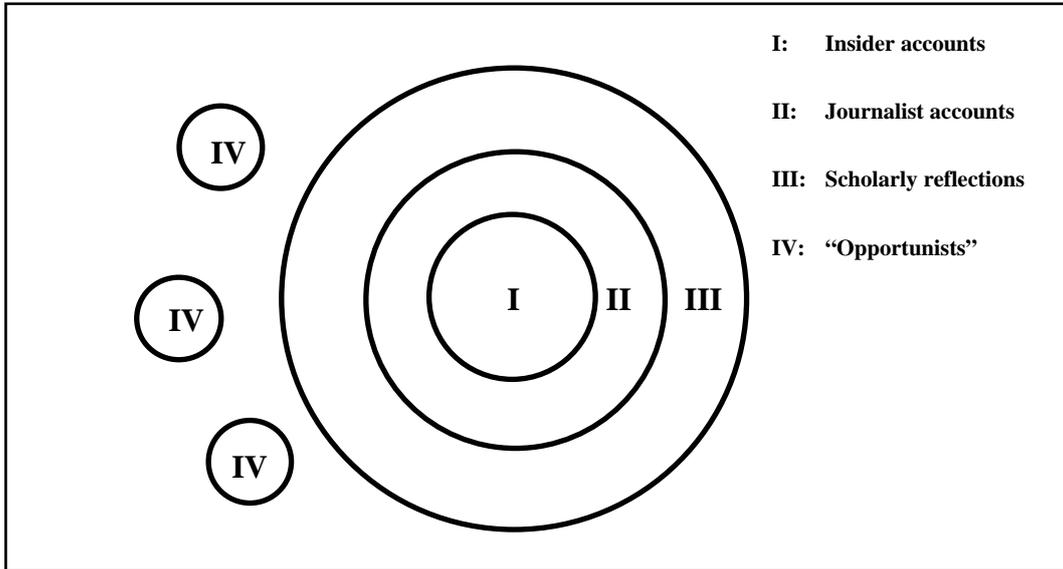
**Table 1: Books on Enron and Other Corporate Collapses Reviewed**

<b>Author and year of publication</b>	<b>Title</b>	<b>Comments</b>
<b>I. Insider accounts</b>		
Brewer & Hansen (2004)	<i>Enron: Confessions of a whistle blower</i>	Main author was a trader with a background in accounting
Cruver (2003)	<i>Anatomy of greed: The unshredded truth from an Enron insider</i>	Author was a trader with Enron and had no accounting involvement
Squires et al. (2003)	<i>Inside Arthur Andersen: Shifting values, unexpected consequences</i>	Authors worked for Andersen, mainly on the consulting side
Swartz (2003)	<i>Power failure: The rise &amp; fall of Enron</i>	Collaboration with Sherron Watkins, an Enron internal auditor and whistle-blower
Toffler (2003)	<i>Final accounting: Ambition, greed and the fall of Arthur Andersen</i>	Author was partner in charge of Ethics and Responsible Business Consulting Group at Andersen
<b>II. Journalistic accounts</b>		
Bryce (2003)	<i>Pipe dreams: Greed, ego, and the death of Enron</i>	Author is an investigative financial journalist based in Texas
Eichenwald (2005)	<i>Conspiracy of fools: A true story</i>	Author is a financial journalist who followed Enron for the <i>New York Times</i>
Fox (2003)	<i>Enron: The rise and fall</i>	Author is a business journalist who followed Enron for Dow Jones News Service
Fusaro & Miller (2002)	<i>What went wrong at Enron</i>	Fusaro is an energy analyst who followed Enron for several years
Jeter (2003)	<i>Disconnected: Deceit and betrayal at WorldCom</i>	Deals with collapse of WorldCom
Main (2005)	<i>Other people's money: The complete story of the extraordinary collapse of HIH</i>	Deals with Australian HIH insurance collapse
McLean & Elkind (2003)	<i>The Smartest guys in the room: The amazing rise and scandalous fall of Enron</i>	Authors are senior writers for <i>Fortune</i> magazine
Westfield (2003)	<i>HIH: The inside story of Australia's biggest corporate collapse</i>	Deals with Australian HIH insurance collapse
<b>III. Scholarly reflections</b>		
Bakan (2004)	<i>The corporation: The pathological pursuit of</i>	Basis of an award-winning TV

Author and year of publication	Title	Comments
	<i>profit and power</i>	documentary
Brewster (2003)	<i>Unaccountable: How the accounting profession forfeited public Trust</i>	Brewster spent seven years as Communications Director of KPMG
DiPiazza & Eccles (2002)	<i>Building public trust: The future of corporate reporting</i>	DiPiazza was CEO of PricewaterhouseCoopers
Galbraith (2004)	<i>The economics of innocent fraud: Truth for our time</i>	Short book by eminent economist, author of <i>The Great Crash, 1929</i>
Hamilton & Micklethwait (2006)	<i>Greed and corporate failure: The lessons from recent disasters</i>	Covers Barings, Enron, WorldCom, Tyco, Marconi, Swissair, Royal Ahold, Parmalat cases – graced with a preface by Sir David Tweedie
O’Brien (2003)	<i>Wall Street on trial: A corrupted state?</i>	Author is a former financial journalist and now a researcher into corporate governance
Rapoport & Dharan (2004)	<i>Enron: Corporate fiascos and legal implications</i>	Collection of articles and readings
Skeel (2005)	<i>Icarus in the boardroom: The fundamental flaws in corporate America and where they came from</i>	Author is a professor of corporate law
<b>IV. “Opportunists”</b>		
Barreveld (2002)	<i>The Enron collapse: Creative accounting, wrong economics or criminal acts?</i>	Reproduces published material – largely about author’s economic ideas
Elliott & Schrott (2002)	<i>How companies lie: Why Enron is just the tip of the iceberg</i>	General discussion of creative accounting with some references to Enron
Prashad (2002)	<i>Fat cats and running dogs: The Enron stage of capitalism</i>	Critique of privatization in Third World
Ritchie (2005)	<i>God in the pits: The Enron-jihad edition</i>	Discusses perceived lack of spiritual engagement in US derivatives markets – Enron reference relates to current edition (book first appeared in 1989) and Enron is mentioned briefly in new introduction.
Schilit (2002)	<i>Financial shenanigans: How to detect accounting gimmicks and fraud in financial reports</i>	General discussion of creative accounting first published in 1991 – brief chapter at end on Enron
Schwartz (2003)	<i>Enron to the 5th power</i>	Self-published spy thriller – nothing to do with Enron except use of company name in the title

## Figures

**Figure 1: Books on Enron and other scandals: a typology**



**Figure 2: Accountant stereotypes and their implications**

