

September 2005

CPA PRACTICE MANAGEMENT FORUM

Published Monthly by CCH INCORPORATED

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Defining Ethics in Accounting Marketing

By Neil Fauerbach, director of business development and marketing at Smith & Gesteland LLP

Is "Marketing Ethics" an oxymoron? Are there problems with any of the methods we use to market accounting services to prospects and clients? Are we who we say we are? Can we deliver what we promise? Are the close relationships we develop in the process of selling and serving a client at odds with the need to be independent? Are accounting marketers as open to scrutiny as our assurance and tax practitioners are?

First a little background. Stay with me here.

Accounting marketers belonging to the Association for Accounting Marketing (AAM) follow the code of the AICPA and state boards of accountancy. Our code states "AAM members and their firms are subject to the ethical standards of the AICPA as well as their State Boards of Accountancy, particularly with respect to published guidelines and violations thereof."

The AICPA Code of Conduct states, "Those who rely on certified public accountants expect them to discharge their responsibilities with integrity, objectivity, due professional care, and a genuine interest in serving the public. They are expected to provide quality services, enter into fee arrangements, and offer a range of services—all in a manner that demonstrates a level of professionalism consistent with these Principles of the Code of Professional Conduct."

It further states, "Integrity is measured in terms of what is right

and just. In the absence of specific rules, standards, or guidance, or in the face of conflicting opinions, a member should test decisions and deeds by asking: Am I doing what a person of integrity would do? Have I retained my integrity? Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment."

Additionally, there is a Code of Ethics written by the American Marketing Association. Like that for physicians, the ethics policy for marketers states, "First, we must do no harm." It further holds, "Marketers must embrace, communicate and practice the fundamental ethical values that will improve consumer confidence in the integrity of the marketing exchange system. These basic values are *honesty, responsibility, fairness, respect, openness and citizenship.*"

Rushworth Kidder, president of the Institute for Global Ethics, says, "Ethics, in its broader sense, deals with human conduct in relation to what is morally good and bad, right and wrong. It is the application of values to decision making. These values include honesty, fairness, responsibility, respect and compassion."

Okay, so much for the codes and pep talks. How do we interpret them? How do we wring out the meaning from all of these platitudes?

Several very clear messages come out of these discussions. *Responsibility, integrity, fairness and honesty* are strongly stated in each

of them. These are the moral anchors we should use to guide our decisions. The code you have or will develop may include different moral anchors. Perhaps your code includes "thrifty, loyal, brave and reverent." Exact interpretation and application of each of the elements is the responsibility of the practitioner. It is up to us to walk the talk of these moral anchors.

What is ethics in accounting marketing?

There is no one answer to this question as it involves many areas both internal and external to a firm. It involves relationships, communication, fairness and truth. To some marketing professionals, it means fair representation of the capabilities and qualifications of your firm. It means not misrepresenting in any way the competition. Working in an ethical market allows firms to compete on a level playing field. To quote one sage, "Quite simply, ethics in accounting marketing is the professional promotion of professional services by showing the potential value to a potential user. The intention of and execution by the marketer is to show the genuine value so that anyone hearing the message can *trust* the message is genuine, and then make a purchase decision. Ethics is an activity as well as a principle." These thoughts can be reduced to a point made above, that marketing decisions must be made after weighing the options against the moral anchors of *responsibility, integrity, fairness and honesty.*

What ethical issues do we encounter as we make decisions

to market our firms? In speaking with CPAs and marketing directors from around the country, there are many opinions. Each presented a different ethical dilemma derived from their experience, suggesting that there is a wide range of ethical issues out there. Here are some of their thoughts and a little analysis.

'First, get the client'

When I started marketing for accounting firms, my first managing partner warned me about accountants. He said, "Be careful with CPAs. They think they can do anything. If you ask them if they can do brain surgery, they will say, 'Yes, as long as you schedule it for a Monday so I can read up on it over the weekend.'"

Are we proposing work that we are not qualified to complete? Or, do we overstate the number of clients we have in a particular industry to puff up our capabilities? Of the four moral anchors, this marketing approach violates all of them—responsibility (to the prospect), honesty (for misrepresenting capabilities), fairness (to competitors) and integrity (to yourself and the profession).

Bait and switch

It happens in accounting, too. A firm brings its best sales team to a client pitch, promising close attention, tax savings and business growth. A year later, the firm has a team of junior staffers working on the account and no partner in sight. Deceptive? Probably. Unethical? If this is the long-range plan for this client, it does not pass the honesty test. Unfortunately, it is standard practice in many firms. It is one of the biggest complaints clients voice. The result is that the client does not receive what was promised.

Relationship vs. independence

An accountant has multiple roles within a client's organization. All involve intimate knowledge of the organization. The role of the auditor also adds the element of independence with respect to issuing opinions on the client's financial statements. Does the practice of a CPA building a close relationship with a client hinder the CPA's ability to deliver an objective opinion?

Most accounting firms feel it is totally acceptable to have a close relationship with the CEO or other key officers. The reality is that CPAs are as much a busi-

ness advisor as anything else. Most have strong feelings that we can have this kind of relationship and can still draw the line when required on critical financial reporting issues. The answer here may lie in the integrity of the firm. If the systems that isolate and ensure independence within a firm are solid, close relationships can coexist with independence. The client is served and the outside parties relying on the opinion of the firm can have confidence in our word.

First do no harm

This could be interpreted as "speak no evil." Speaking poorly of competition may work for opposing sporting teams, but "badmouthing" your fellow practitioners is a violation of the code and may raise suspicions of your own integrity. No analysis needed here. It's just wrong.

Gifts and trips

Many companies and public entities have policies that prohibit receiving anything of value from a vendor. From pens to golf jackets, the perception is that of a "bribe." The Code of Ethics of the Institute of Management

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Five Ethical Theories
EGOISM: How does the action relate to me? If the action furthers my interests, then it is right. If it conflicts with my interests, then it is wrong.
SOCIAL GROUP RELATIVISM: How does the action relate to my social group (peers, friends, etc.)? If the action conforms with the social group's norms, then it is right. If it is contrary to the social group's norms, then it is wrong.
CULTURAL RELATIVISM: How does the action relate to the national culture, particularly its laws? If the action conforms with the law, then it is right. If it is contrary to the law, then it is wrong.
UTILITARIANISM: How does the action relate to everyone who is affected by it? If the action is beneficial to the greatest number of people affected by it, then it is right. If it is detrimental to the greatest number, then it is wrong.
DEONTOLOGY: How does the action relate to my duty to become an ideal human being who treats others in the way that I would want to be treated? Does it treat every stakeholder truthfully and with respect and integrity? If it does, then it is right. If it does not, then it is wrong.

Marketing Ethics

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Accountants, the trade association for many of our controller and CFO clients, states that members must "refuse any gift, favor, or hospitality that would influence or would appear to influence their actions." Some

companies have limits of what is acceptable, such as a \$50 value. Some require gifts be given to charity.

Institute thinking on it

The Professional Ethics Executive Committee of the AICPA occasionally reviews the Code of Professional Conduct to help en-

sure it is relevant and up to date. The committee is in the process of reviewing the code to develop proposed changes of Rule 102, dealing with integrity and objectivity. It would apply to members in public practice with respect to all professional services provided to all clients and to all members, whether or not in public practice, with respect to the customers and vendors of their employers, and provides that objectivity would not be considered to be impaired if a member offers or accepts gifts or entertainment to or from a client (including certain individuals associated with a client) or a customer or vendor of the member's employer (including representatives of the customer or vendor), provided the gift or entertainment is "reasonable in the circumstances." In addition, the proposal makes it clear that permitted gifts or entertainment should not violate a member's, client's, customer's or vendor's own policies governing gifts and entertainment, or applicable laws and regulations.

"Reasonable in the circumstances" would more than likely consider the value of the gift, the timing and the state of the relationship with the prospect or client.

What are *your* rules and motivations for gift giving and receiving? Are your gifts meant to influence or show gratitude? Do you use a moral compass when you make these decisions?

Advertising

Since CPAs in the United States have been allowed to advertise, few gross misrepresentations have been reported. The standards of the AICPA are fairly clear:

Advertising or other forms of solicitation that are false,

Applying Ethical Theories to Decision Making*

Instructions: Answer Questions 1 through 6 to gather the information necessary for performing an ethical analysis. Based on this information, develop a policy option that has the strongest ethical basis.

1. Who are all the people affected by the action (stakeholder analysis)?
2. Is the action beneficial to me (egoism)?
3. Is the action supported by my social group (social group relativism)?
4. Is the action supported by national laws (cultural relativism)?
5. Is the action for the greatest good of the greatest number of people affected by it (utilitarianism)?
6. Are the motives behind the action based on truthfulness and respect/integrity toward each stakeholder (deontology)?

If answers to Questions 2 through 6 are all "yes," then do it.

If answers to Questions 2 through 6 are all "no," then do not do it.

If answers to Questions 2 through 6 are mixed, then modify your decision.

If answers to Questions 5 and 6 are "yes," this action is the *most* ethical. You may need to modify this decision in consideration of any "no" answer to Questions 2 through 4.

If answers to Questions 5 and 6 are "no," this action is the *least* ethical. Modify this decision in consideration of these objections.

If answers to Questions 5 and 6 are mixed, this action is *moderately* ethical. Modify this decision in consideration of objections raised by Questions 5 or 6. You may need to further modify this decision in consideration of any "no" answer to Questions 2 through 4.

* Denis Collins & Thomas O'Rourke (1994) *Ethical Dilemmas in Business*, Cincinnati, Ohio: South-Western Publishing Company.

misleading, or deceptive are not in the public interest and are prohibited. Such activities include those that:

1. create false or unjustified expectations of favorable results;
2. simply the ability to influence any court, tribunal, regulatory agency, or similar body or official;
3. contain a representation that specific professional services in current or future periods will be performed for a stated fee, estimated fee or fee range when it was likely at the time of the representation that such fees would be substantially increased and the prospective client was not advised of that likelihood; and
4. contain any other representations that would be

likely to cause a reasonable person to misunderstand or be deceived.

In other words, caveat vendor—seller beware! Provide truthful information a prospect can use to make decisions and stay away from puffery and hype. Moral anchors here are quite obviously *honesty* and *integrity*. As a very visible form of communication, firms tend to err on the side of the conservative approach with advertising.

Proposals

Stories are told of firms competing for a client where one CPA states, “If you hire me, you will pay no tax.” Pretty tough decision on the client’s part. They may pick promise over talent and fit to save on expenses. The duty of the CPA is to assist the client to pay the proper amount

of tax, but to state that they will pay none violates the moral anchor of integrity. Stating that tax owed would be *minimized* is supportable and honest.

How we ensure ethics in accounting marketing is by remembering that it is an activity. We must genuinely learn what it means to walk the talk, and then do so, not just look like we do. Viewing situations with the moral compass allows marketers to ensure they are making the right decisions. This is what should be taught to, and by, accounting marketers and firm members, including interns through managing partners.

About the author: Neil Fauerbach is the director of business development and marketing at Smith & Gesteland LLP in Madison, Wis. He can be reached at Neil.fauerbach@sgcpa.com. †

Referral Sources

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referral systems use an incentive system to keep referrals flowing.

- **They refer people to high quality products and services.** No referral system will run for a very long time without having a high quality service to back it up (this is your responsibility).

Closing strategies

Use the following checklist as a quick guide to refining your referral-generating strategy:

- As with all proactive marketing strategies, make the time.
- Set goals: 30-day, 60-day, 90-day and six-month goals.
- Assign a champion to the process.

- Set targets for the minimum number of events you must attend to heighten your firm’s profile in your marketplace.
- Determine what the process should be once you have successfully captured qualified referrals.
- Implement your system.
- Publicly reward and celebrate the wins.
- Educate.
- Test and practice the roll-out of your system until it is proven.
- Build case studies.

Again, it is undeniable that the majority of new clients are generated from referral sources, so the absolute key to creating more new clients (of the type you want) must be to have

a robust referral strategy.

Generating quality referrals for your firm is not a one-way street. You need to reciprocate the business whenever appropriate and you must be deserving of referrals.

What would one additional client be worth to your firm? If you only captured one new client by reading our ideas, then it will have been well worth your time invested in reading the article.

¹ <http://www.gaebler.com/The-Art-of-Customer-Referrals.htm> (Gaebler Ventures)

About the author: Shannon Vincent is CEO and co-founder of Renew Group LLC, based in Oakland, Calif. He can be reached at (866) 853-4952 or at shannon.vincent@renewgroup.com. †