

## Company directors and accountants have a vested interest in communication

Published in Journal of Hong Kong Society of Accountants, July 2002

While it is good to see the accounting profession coming up with ways to improve the audit situation, it has to recognise that this is only half of the job and the profession still faces a major problem. That problem is communication; accounting has failed to get its message across for many years. As with every other corporate crisis, only a long-term communication program will regain lost ground.

The aftermath of HIH, Enron and other corporate collapses is that many people, including company directors, are no longer sure what an audit is or what the role of the accountant should be. The perception is that one way or another, accounting played a role in these collapses. Is that a fair perception? Once the trusted and independent advisor, we now have a blurred picture of the accountant. What exactly do they do? How do they work? Is it working? Tough questions if your income and professional status are at stake.

There is a positive side to the current debate; if the accounting firms and their representative bodies handle this well, they will convince us all that the audit needs to be upgraded, spending lifted and professionalism paid for. After over a decade of corporate cost cutting on audits, perhaps this is overdue. But if we decide that we want more from audits, would we, investors, be willing to pay? Only if we believed in it, and that's where perceptions become so vital. Against the current business failures and perceptions of audit failure, the answer would certainly be "no". But many feel that the price of greater certainty is money well spent. Wouldn't it be a better outcome if we answered "yes" to getting more out of an audit?

The sooner the profession communicates about itself and about audits, the sooner we will be able to develop a better approach, if that is needed. Meantime, the issue is clouding over corporate messages to investors; we seem doomed to confusion and surprise – two words that will drive investors away in droves, and leave the accounting profession with a confused image.

Company directors have a vested interest in clearing the air too; shareholders will be jumpy until these governance and audit issues are resolved. It would be good to see the directors and the accountants, through their representative bodies, working together to present us with the facts and with the way forward.

But should we hold out hope that the accounting profession can change its approach and get the message across? The newest growth business is financial planning, and you could say that inertia by accounting firms allowed this business to slip through their grasp. Only now are they trying to win some back. The reason most accounting firms were not even in the race in the competition for the financial planning needs of their existing

clients was a combination of inertia and poor communication; most clients were not aware their accountant could help with planning. How many millions of dollars of business did they lose as a result?

Many leaders within accountancy firms and the profession will want to go quiet for a while until the auditing storm blows over. If they succeed, will they miss an opportunity to build the reputation of accountancy? Is going quiet an option when what the marketplace thinks about you holds the key to what regulators do and what your clients do?

Company directors, seeking to convince shareholders of the integrity of their businesses, will not relish the poor standing of the audit. A major contributor to the current dispute is poor communication about what an audit really is. Ask an accountant today for a quick definition of an audit and it's easy to become confused as they descend into jargon and complexity. Ask two accountants and you'll get two differing answers. So there really is a communication problem here. Perhaps the profession has been "going quiet" for too long?

The accounting professional should not be put off engaging in profile building, just because the current debate is focusing on blame. In every instance of crisis or disaster (including natural disasters) our first instinct is to search out who is to blame. The media is full of finger pointing. Only with some help will we move on to what really happened and what it all means. If the profession does not help us move on, who will?

The reason this is such an opportunity for accountancy is that often we only study things when they go wrong; in other words, you've really got our attention now, so communicate. The first thing to clear up is what is an audit; and surely this also relates to what is an accounting professional? Right now we have a fuzzy view.

This fuzziness over the facts is consistent with most crisis management; just as truth is said to be the first victim of war, so the facts are an early casualty in a corporate crisis. The next step in any crisis is to point the finger of blame, and right now the accounting firms are feeling the heat.

In most situations, it is how you react to an event, rather than the event itself that holds the key to future progress or decline.

Reacting negatively is all too common among corporations facing a crisis. Their first instinct is to cover up; second they lash out at anyone and everyone; third they seek refuge in legal action, and; fourth, they forget to inform their best friends (their staff, customers, suppliers).

By pretending there is no problem, they guarantee that it gets worse. Problems don't solve themselves; people do. And the trouble with lashing out when angry is that it formalises the dispute, setting your side of the argument in stone, making it harder to solve.

## Company directors and accountants have a vested interest in communication (cont)

Taking the positive approach is nothing new in public relations. Ivy Ledbetter Lee was a journalist and became one of two partners in a pioneering public relations consultancy, Parker and Lee, created in the USA in 1905. He saw the mistakes corporations make in trying to be secretive. He single-handedly changed the negative practices of the Pennsylvania Railroad, which had a policy of refusing reporters access to all accident sites. This policy led to substantial mistrust. Lee opened the lines of communication with the media. Importantly, he arranged for reporters to visit any accident sites, thus turning distrust into understanding. Reporting became more positive. The message here for accountants and directors is: keeping the doors open creates real communication; closing them builds distrust.

In good corporate crisis management, these six steps mark the way to better communication:

- Get the facts (the first casualty of war is the truth, and it sure disappears when we are angry or in crisis)
- Communicate action (people respect you if you act positively, even if at first you were wrong)
- Review stance and processes (take a look at yourself, do you have to change?)
- Take market soundings (ask others what they think)
- Change behaviour and practices (you will improve if you try to change)
- Get the new message across (work on positive communication)

Much of this corporate experience can be applied to the accounting profession today. For example, the profession has been committed to change and improvement, but when under challenge like the one on auditing, it is easy to become defensive and negative. This certainly will make things worse and ensure the current audit crisis goes on for a long time. At the same time, the profession should note how the bad corporation just lashed out in haste, while the good corporation takes its time and considers the situation. At a personal and business level, patience is the key.

Many corporations get all the steps of crisis management right, but then forget to sustain their communication about the new message. This leaves people either confused or feeling that the problem still exists. If accounting is to move on from audit disputes, it will need a sustained, positive communication program so we know where they are headed, and how they'll get there.

The communication ball is firmly in the court of the accounting bodies and accounting firms; it's time to get your message across; this means you need to build the brand.

Most company directors know the importance of credible people relationships in their businesses. Research has shown that when businesses are under attack or lose customers, 70% are lost because they do not like the human side of doing business with that organisation. This finding can provide the key for the profession - through better communication you can build your human side (your brand) and get on better.

Good corporations strive to create a brand image that lasts. This "brand" becomes a real asset for them. Learning from good corporations, the accounting profession should recognise that communication can give you this powerful brand advantage, too.

Brand advantage does not come from super sales pitches or motivational hoopla; it comes when your target market believes the brand:

- listens to me, cares for me
- reliably delivers what it promises
- is always interesting by being different or innovative
- wraps up our dealings smoothly and simply
- is happy, and projects this happiness

These are great human values, yet they underpin most of today's successful commercial brands. One lesson here for all accountants is that communication will improve if you ask more questions and listen more closely. From then on, being more forthcoming about you is a positive step, while maintaining interest in others. This is a difficult balancing act (perhaps even harder for a profession not noted for communication skills) that reaps rewards.

In the absence of quality communication, a potentially damaging perception is gaining strength in the media; in the current haze, the media has linked two parts of accounting - auditing and consulting - and decided that this linkage is solely to blame for "poor audits". Does stopping one firm performing both services fix the problem? If this happened, would any of us be closer to understanding what an audit really is?

The view is also damaging because it adds to the haze; perhaps we should be able to see, for example, that the real solution is for company directors to spend more on audits and to widen the scope? After all, we've been through over a decade of cost cutting on the audit side of business. We won't see this as a problem while we stumble around looking for someone to blame.

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"You Can Communicate", Pearson 2002