

CASE 3

Bob Chen

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Bob Chen prepared himself for his meeting with David Shorter, Practice Director of the New Enterprise Group at James-Williams. In a few minutes, Bob might feel it necessary to resign from James-Williams. Bob had no other job to go to, and with a recession looming, it might be hard to find other employment. Nevertheless, Bob felt that his career was at stake if he was not firm.

The New Enterprise Group at James-Williams

The New Enterprise Group was a division of James-Williams located in Toronto. James-Williams was one of the six largest public accounting firms in Canada with 400 partners practising in 30 Canadian cities. James-Williams was the sole Canadian member of James-Williams International which provided audit, tax, consulting and other services to individuals, private businesses, and governments in the Americas, Europe, the Middle East, Africa, Asia, and the Pacific.

The New Enterprise Group had been set up seven years ago to provide service to smaller growth companies managed by entrepreneurs. David Shorter had been the Practice Director for the past four years. James-Williams believed that companies with gross annual revenues of between \$5 and \$100 million were often neglected as potential customers by Canadian public accounting firms because of their small size. Yet these companies had need of a variety of services that could be provided by James-Williams

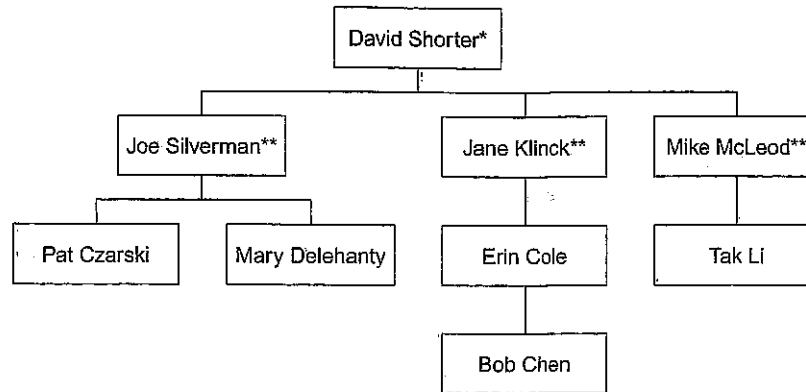
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Neil Abramson prepared this case under the supervision of Professor J. J. DiStefano solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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EXHIBIT 1 James-Williams: The New Enterprise Group Organizational Chart (Reporting relationships prior to Bob Chen's reassignment to tax)



* Practice Director ** Other Partners

and these companies would pay high fees for their relative size. When these companies had grown beyond gross revenues of \$100 million, their business could be transferred from the New Enterprise Group to the main auditing and consulting services of James-Williams and a solid relationship would exist. This was an important consideration in a mature industry where public accounting firms competed on service, reputation, and price. Often, it was a long-term relationship that kept a client with a public accounting firm. These relationships enabled partners of the public accounting firms to have such an intimate knowledge of their clients' activities that they could anticipate problems and become indispensable to their clients' planning process.

The New Enterprise Group provided a range of consulting services geared to the needs of growing entrepreneurial companies. In addition to accounting and auditing services, the partners acted as principal business advisors. Client companies were particularly interested in corporate finance, tax consulting, and the problems of acquisition and divestiture. Consulting was also available on strategic planning, developing business plans, marketing, human resource management, and information systems.

The New Enterprise Group was organized as a collegial system of partners who managed their own clients and activities within the performance objectives established by James-Williams, and under the general supervision of the Practice Director who was also a partner (see Exhibit 1). Staff members below the partner level were organized on the staff system. A staff usually consisted of one or two senior staff accountants and several intermediate or junior staff accountants under a manager. A partner would have one, two or three managers and several staff reporting to him/her.

Most of the staff were either chartered accountants or in the process of becoming chartered accountants. Usually, staff would be hired out of business school as junior staff accountants and would work on staff over a two-year period while they studied for their chartered accountant examinations. At the beginning of their second year, they were promoted to intermediate staff accountants at which level they remained until they passed the chartered accountant exams. At the beginning of their third year, they wrote their exams, and, if they passed, they were promoted to senior staff accountants. If they

did not pass, which was fairly common, they would have another year to prepare for a final chance at the exams.

The normal promotion process at James-Williams was for staff to remain as senior staff accountants for two years while they developed a consulting specialty of their choice. Then they might be promoted to manager and supervise six to nine staff. Most partners were selected from the ranks of the managers after they had been with the firm for ten to eleven years.

Bob Chen's Background at James-Williams

Bob Chen was born in Hong Kong and came to Toronto as a high school student for Grade 13. He graduated with a Bachelor of Commerce from Queen's University in Kingston. At Queen's he achieved an overall grade point average of 75 percent¹ and was the treasurer of the Chinese Students' Society. He was recruited for James-Williams in the spring of his final year at Queen's, and began as a junior staff accountant at the New Enterprise Group in the following September.

Early in his final year at Queen's, Bob's father, living in Hong Kong, suggested he find a job in Canada because Hong Kong would revert to the People's Republic of China in 1997. His father believed Bob's future would be better in Canada. Bob applied to a number of major Canadian public accounting firms and was told to re-apply if he was able to obtain landed immigrant status. These companies did not seem to realize that it was very hard to obtain landed immigrant status unless one had a job offer.

One firm, James-Williams, offered Bob a job. He accepted. Afterwards Bob felt very loyal to the company because their offer had made it possible for him to remain in Canada.

In September after graduation, Bob started with James-Williams in the New Enterprise Group as a junior staff accountant, doing accounting work and studying for his chartered accountant exams which were scheduled for two years hence. In the following fall he was promoted to intermediate staff accountant as was standard for all second-year staff at James-Williams. During his first two years with the New Enterprise Group, Bob worked under the supervision of several managers including Tak Li and a partner named Lara Witmer. Due to turnover of staff in the New Enterprise Group during those years, Bob was attached for various jobs to a number of managers and partners. About the time that Bob was scheduled to write his CA exams, he learned that Lara Witmer had been asked to leave the firm. Bob would be assigned to work for Jane Klinck under the project supervision of Erin Cole.

In the New Enterprise Group Bob was seen as quiet and soft-spoken. One of his managers described him as "shy and accommodating. He does what he is asked to do and a bit more. Casual requests get immediate results." He was also a very private person whose politeness often meant not saying exactly what he wanted out of a situation or from another person. His civility may have masked from his colleagues his strongly felt desire for success and strongly held views about his possible contribution to the firm.

Bob was well liked by the people around him. Some partners and staff thought that Bob was fairly outgoing and had much better oral communications skills than previous staff from Hong Kong hired by the company. His colleagues believed that Bob had good potential with James-Williams and hoped he would stay with the company.

The Beginnings of a Problem

Early in his employment at James-Williams, Bob decided he would like to specialize as a tax consultant. He knew that the normal procedure at James-Williams was for intermediate staff to wait until they had passed their chartered accountant exams before approaching the Practice Director with indications of their specialization interests. However, tax was a very popular choice and some intermediate staff in the New Enterprise Group went to David Shorter before they had passed their exams so that David would have enough time to find them assignments in their preferred areas.

Nine months after joining the New Enterprise Group, Bob met formally with David Shorter when David reviewed Bob's annual performance appraisal. At that meeting, Bob told David about his interest in becoming a tax specialist. Bob's impression of the meeting was that David had agreed to see what he could do to further Bob's interests. Bob expected that he would receive some tax assignments over the next year while he was studying for his chartered accountant exams, but no such assignments materialized.

In September, Bob wrote his exams and, in December, he received the good news that he had passed on his first attempt. The following January David Shorter called Bob in for an interview during which he congratulated Bob on passing his CA exam and asked what Bob would like to specialize in. Bob again asked for an assignment to tax, but David told him that he wasn't ready for tax because his auditing skills were not strong enough. David asked Bob to work as a senior auditor for a year in order to provide a stronger base for his tax specialization. David also asked Bob to consider the idea of specializing in Hong Kong-based entrepreneurial companies. Bob said he would think about it.

Bob was aware that the New Enterprise Group had a shortage of senior auditors. He felt that he was being asked not to pursue his career interests because of this shortage and not because of any weakness he had as an auditor. When Bob had originally mentioned his interest in tax during his first interview with David, David said he would see what he could do and had not indicated that Bob was weak in auditing. This also suggested to Bob that the main problem was the shortage. "I wanted to choose tax but I had the feeling that the partners didn't want me to because of the need for continuity in audit. I was maybe the only CA under Jane Klinck. Partners want qualified CAs on their jobs. Maybe Jane didn't want me to go to tax."

Bob was also aware that he had a reputation for doing what he was told. He tried to anticipate the needs of his supervisors and his clients, and he worked extra hard to accommodate their wishes. Partly this was his natural tendency, but he also felt a strong loyalty to the firm for hiring him and thereby providing a way for him to stay in Canada. Now he wondered if David thought he would not make a fuss if he held back in auditing for another year. "I did not usually express myself. I wondered if he thought I was too easygoing and would do whatever he wanted."

When David reviewed his annual performance appraisal in June after Bob had passed his CA exams, Bob again asked David for an assignment to tax. And again David refused, indicating that Bob needed more experience in audit. Bob did not accept this judgement and felt that he had once again been too easygoing and had failed to express himself forcefully enough.

Therefore, in late June, Bob approached David once more and after extensive discussion got David to compromise that if Bob would agree to stay in audit for the year, David would arrange to send Bob on a three-year tax training program. Bob initially agreed, but when he talked to friends in tax, they told him that the course would not teach him tax. Becoming a tax consultant required hands-on experience and the opportunity to deal with the tax problems of real companies in real situations. "I initially agreed, but decided later that it wasn't a good compromise because I wouldn't learn tax technique."

Once again Bob approached David with his concerns and David finally agreed to assign Bob to Joe Silverman, a tax consultant, in September as long as Bob agreed to finish his current audit work and was willing to accept one major audit assignment in January and February. Bob agreed and David made the arrangements for transferring Bob to Joe's tax group starting in September.

The Softdisk Audit

On July 10, soon after this series of conversations with David Shorter, Bob was approached by Mike McLeod, another partner in the New Enterprise Group, to be the senior on an audit of the Softdisk Computer Company. The audit would require Bob's full-time attention in September and October. Bob was extremely wary. He believed if he accepted the Softdisk audit, he would have very little opportunity to specialize in tax for the entire year. The problem, as Bob saw it, was that it now looked as if he might be required to do audit for six of the next eight months. He was currently doing an audit of a film company for his present managing partner, Jane Klinck. This audit had been scheduled for completion in early July, but the company's books were a mess and Bob thought he might have to continue on that job through August. In August, he would have to begin an interim audit of Softdisk. The Softdisk audit would occupy September and October. Then in January and February, he was required to do another major audit for Jane Klinck as part of his agreement with David. This left November and December for tax work, but December was a slow month due to Christmas. It didn't seem fair to Bob. He had friends who had also passed their CA exams and had been transferred directly into the Tax Department at James-Williams's main group in Toronto without having to agree to any further auditing responsibilities.

Consequently, Bob decided not to do the Softdisk audit. He told Mike McLeod that he would help out because there were no other senior auditors currently available in the New Enterprise Group. He went to the physical inventory at Softdisk in mid-July because no one else seemed to be available. At the time, he told Jane's staff manager, Erin Cole, that he would not do the Softdisk audit even though he went to observe the physical inventory.

Mike had tried to entice Bob into the audit by indicating the possibilities of learning about tax because of the intricate tax situation at the company. Bob talked about these possible advantages with others and decided that Softdisk was not as good an opportunity as Mike was describing. For one thing, Softdisk's tax complexities had been sorted out the year before by a senior tax manager, and Bob would simply be following the procedures developed at that time. Yet the situation wasn't risk free. Bob did not have

adequate expertise in tax yet, and he was concerned that if he did encounter a difficult problem and made a serious mistake, he would be blamed and it would damage his career.

Bob tried to break the news gently that he would not be doing the Softdisk audit. He approached Tak Li, who now worked for Mike McLeod as a manager, and told Tak that he did not want to do the job. He also told Pat Czarski, a manager reporting to his new managing partner, Joe Silverman. Somehow the message did not seem to get through to Mike McLeod and over the next week Mike would stop Bob in the halls or in the men's room and ask if Bob had made a decision, or if Bob had any reservations that Mike could help him resolve. Mike seemed to be convinced that Bob would eventually take the job. Bob began to feel trapped. Since David Shorter had gone on vacation, he could not help sort out the situation. "I knew that Mike was quite influential in the New Enterprises Group because he had many bigger clients. He was persuasive and forceful. I wondered, 'Why is this happening to me? Why is he so determined to make me give in and take this job? Why is he going around to other partners and managers trying to get them to persuade me? He wants me to bow on this issue and I don't want to.'"

The final straw for Bob was a meeting called by Mike, including himself, Pat, Tak and Bob on July 20. Bob felt that the sole purpose of the meeting was to coerce him into taking on the Softdisk audit. After hours of pressure, Bob said he would do the job, just to end the meeting. However, he felt that he had been unfairly treated in the meeting and that he did not have to honour his agreement. "I felt isolated, like it was three against one."

Other Factors

After his meeting with Mike, Pat and Tak, Bob reviewed his situation and prospects. He knew that he had offended Mike McLeod. He had heard from Jane Klinck that he had also offended Joe Silverman who was scheduled to be his new managing partner in tax. Bob did not feel that he had a career potential with the New Enterprise Group any more.

In addition, the New Enterprise Group did not seem committed to supporting his desire to become a tax consultant. They appeared more concerned with their shortage of senior auditors. Bob felt less inclined to be loyal to a company which was not loyal to him.

Bob felt that he had the security to find another job. He had his chartered accountant designation. He was a Canadian citizen. He had money saved and his family would support him if he got into financial difficulties. He also had contacts from a management recruiting company that had tried to hire him for another company after he passed his chartered accountant exams. He decided to resign and told Jane of his intention. She discouraged him from acting rashly and convinced him to at least talk with David Shorter again when he returned from vacation on July 24. "Jane seemed to be shocked when I said I was thinking of resigning. She said, 'But you're usually so easy going!' I thought maybe they were picking on me because I'm easy going and never complain."

A Final Meeting with David Shorter

Bob expected no miracles from David before his upcoming meeting of July 24. He expected David to tell him that he was doing good work and to ask him to stay. He also expected David to ask him to do the Softdisk audit and to "tough out" the situation. Although Bob was prepared to listen, he thought he might have to resign unless David was willing to work out an acceptable alternative for him. Bob hoped David could come up with something. In the final analysis, Bob did not really want to leave. He just wanted to do tax.

Note

1. In Canada the grade point system follows the British model. At Queen's a 75 average is a B+ and is considered evidence of high achievement.
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