

## A Letter to My Former Professor

Antonino Vaccaro

From: [XYZW@gmail.com](mailto:XYZW@gmail.com)

Sent: May 29, 2023, 9:08 a.m.

To: Vaccaro, Antonino <AVaccaro@iese.edu>

Subject: AA/Enron case 5.0 – Need to speak to you, Professor

Dear Professor,

I wondered if you would remember me? I was your student during the first year of my Master of Business Administration course around four years ago. I recently found myself in the same situation as that described during the first class of the course. It left me unable to sleep for 10 days. I began to suspect that I was in trouble, but I was unsure how to escape the situation.

I created a new Gmail account so that I could write and ask for your help. I hoped you might have time for a video call? I was left unsure what to do, and I felt desperate.

I first started to notice something was wrong a couple of months ago. I was working as a senior manager covering the Middle East region at Alpha, an auditing and consulting firm. The dynamics were similar to those faced by Arthur Andersen in the Enron case, albeit more sophisticated.

We provided audit services to Beta, a large telecommunications group. In fact, we put in over 13,000 billable hours annually.

The responsible partner was never there. He only came to lunch with the president or members of the board of directors. I managed everything operationally.

---

This case was prepared by Professor Antonino Vaccaro. July 2023.

IESE cases are designed to promote class discussion rather than to illustrate effective or ineffective management of a given situation.

This case was written with the support of the CBS (Center for Business in Society), IESE.

Copyright © 2023 IESE. To order copies contact IESE Publishing via [www.iesepublishing.com](http://www.iesepublishing.com). Alternatively, write to [publishing@iese.edu](mailto:publishing@iese.edu) or call +34 932 536 558.

No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means - electronic, mechanical, photocopying, recording, or otherwise - without the permission of IESE.

Last edited: 4/7/23



The problem was that 90% of my team had been working solely for Beta for at least three years, along with juniors from across the firm. Our team needed to be integrated with Beta, and much more. We were, in effect, an integral part of Beta.

Each morning, I arrived and parked my car in the Beta parking lot, wore a Beta badge, and worked in the open-plan office where my team and 30 other Beta employees worked. We went to lunch in the same restaurants as the Beta employees.

In theory, as auditors, we should have kept a distance from our clients to preserve our autonomy. In reality, such distance did not exist. It was impossible to maintain it. Over time, I had become good friends with a senior manager from Beta's logistics department. We went to the gym together; we often had lunch together; and a couple of times, we went clubbing together. I even suspected that some of my guys were in relationships with the client's employees. Our company policy forbid fraternization, but I knew my guys, and I had noticed some strange looks between them and some Beta employees. They pretended to ignore each other, but I was pretty sure what was going on.

In addition, we were officially prohibited from providing internal accounting services. The company that did much of Beta's internal accounting, Gamma, was founded by a former partner at Alpha. Indeed, almost all Gamma's senior managers came from Alpha and had worked for many years for only one client: Beta.

A lot of our former Alpha colleagues had ended up working for Beta. When Beta took them on as contracted employees, it offered a standard 20% salary increase and a higher-level company car; and now since they are a Beta employee, they work a maximum of 40 hours a week, whereas we do at least 60–70 hours.

The partners at Alpha and Gamma were "close friends" of the chairman and many members of the board of directors at Beta. They were a real clan. For both Alpha and Gamma, Beta was an essential customer with exceptional margins.

One day, I discovered the existence of a couple of companies officially based in [country], which were theoretically part of the Beta group. One of my senior analysts candidly told me that the companies were "used to put losses on." I did a quick check and discovered that at least €60–70 million of losses had been transferred to the companies.

I could not deny that I also had some skeletons in the closet. I had signed an annual budget in which I applied a 25% overbilling. It was what my partner told me to do, and so I did it.

I felt sure you would understand what I suspect. I enclosed my number in the hope you would call me as soon as possible. Although I felt regret at the need to ask you for this favor, I was aware that I really needed help from someone.

Best regards,

K-