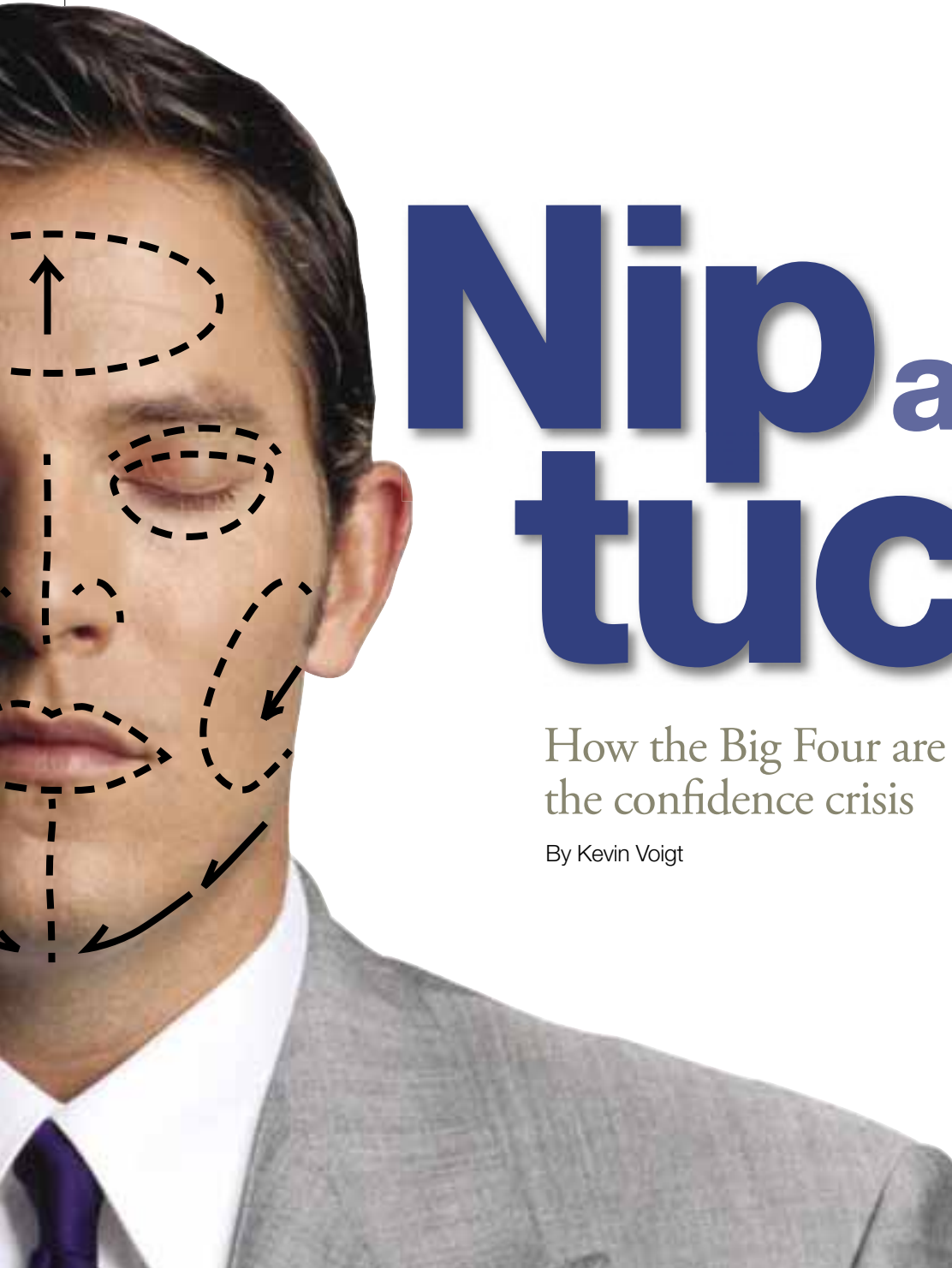


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Confidence crisis



Nip and tuck

How the Big Four are resolving the confidence crisis

By Kevin Voigt

A scan of business headlines in recent years does not paint a rosy picture of the accounting profession. The ghost of Arthur Andersen is still rattling its chains – former employees of the once 50,000-strong company, after all, haunt the halls of every Big Four firm. The demise of Andersen was the most traumatic shock the profession has ever faced – a Hiroshima event that left none of the surviving firms unscarred.

Paradox aplenty

“There has been an acute loss of faith in the profession and like it or not we have to revive that faith,” says Tim Lui, partner at PricewaterhouseCoopers, the largest accounting firm in Asia Pacific.

There is only one wrinkle in this otherwise dire marketing scenario: The Big Four firms have never been busier.

Companies in China and Hong Kong are clambering for their services. Staffing among the Big Four – Deloitte Touche Tohmatsu, Ernst & Young, KPMG and PwC – is at record levels in the region and the feverish pace of employee recruitment shows no signs of slowing down: Deloitte, for example, now has more than 5,000 employees in Hong Kong and China – more than double its staff level from 2004. In the U.S. alone, revenues of the Big Four rose 15.4 percent to US\$24.7 billion last year, according to the Public Accounting Report. Accounting consultancies have increased fees for

audit services by 40 percent in recent years, yet still “many accounting firms are turning customers away. Business is booming,” says Gary Biddle, professor of accounting at the Hong Kong University of Science and Technology.

A profession grappling to rebuild trust in a “gold rush” business environment – that’s just one strange scene on the marketing landscape of Planet Big Four. Consider two other conundrums:

- The explosion of corporate scandals that took out Arthur Andersen set off an aftershock of new regulations to prevent collusion between company executives and independent auditors. To deal with this new regulatory world, who do company executives call? The Big Four accounting firms.
- Experts and accounting executives say the future of marketing, which is extremely difficult in the accounting world, depends on individual, long-term relationships with clients. Yet cosy relationships between clients and customers are just the sort of thing that got the profession in trouble to begin with.

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Awkward partners

Marketing for accounting services has come a long way in a decade, but accountants and marketers still make awkward dance partners. As professionals, they have faced advertising bans similar to doctors around the world: The U.S. legalised advertising for accounting firms just over 10 years ago, but the profession still faces many restrictions in China and Hong Kong. Perhaps that’s just as well. As *Fortune* magazine pointed out in an October 2003 article, it was ironic that PwC spent millions of dollars running full-page ads in the U.S. declaring “principles have no loopholes” alongside news stories with headlines saying “SEC punishes Pricewaterhouse partner.”

“Marketing (for accounting firms) is different from a traditional corporation because there are certain principles and ethics at work,” says Jennifer Smokeyvitch, Sydney-



based head of Roundtable Consulting Partners Asia-Pacific, which provides marketing advice to professional services companies. “There’s been a view that, ‘we can’t market ourselves because it’s in conflict with how we are as professionals.’” A survey on marketing attitudes among the accounting, legal, engineering and consulting professions in Australia, New Zealand and Hong Kong released last year by Roundtable and the Australasian Professional Services Marketing Association shows that gap. Asked if marketers are key players in a company’s strategic planning, accountants were the cellar dwellers – only 17 percent replied they were, compared to 60 percent in the consulting profession.

Maybe that’s because there’s not much in the way of competition: While the Big Four jostle for position among themselves, there are few serious contenders among mid-tier firms to resurrect the Big Five. “It’s a classic size barrier to entry – you’d have to assemble tens of thousands of people around the world, get them together to audit multinational firms at some standard in different jurisdictions,” says Biddle, the HKUST professor. Lui of PwC also says “it’s a funny sort of business,” adding that large multinationals can only turn to the Big Four. “There are few others who have the infrastructure to take them on,” he says.

A more likely scenario is the Big Four becoming the Big Three:

Industry observers wondered if that would come to pass last year with KPMG’s troubles with U.S. federal prosecutors over the sale of fraudulent tax shelters. As *The Wall Street Journal* pointed out, KPMG’s US\$456 million settlement to avoid prosecution last year gave the firm a new lease on life, but it was a reminder to all the Big Four firms that record revenues do not insure their survival.

Old message, new direction

The real marketing challenge with the Big Four isn’t with clients – they are turning business away, after all – but to rebuild trust with government officials, as all of the big firms have faced some trouble with regulators around the world. Political forces can swiftly change the landscape for accounting, as Sarbanes-Oxley – which many in the profession felt went overboard in its new regulations – showed. And regulatory control, particularly in dynamic markets like China, is fluid and fast-changing: For example, in 2002, China started the State Asset Supervision and Administration Commission to provide governance for state-owned enterprises. “In the past, you dealt with a myriad of different industry ministries, but now you’re marketing it to that division – to understand what it’s about, and what their objectives are,” says Chris Lu, Deloitte’s managing partner of clients and markets in China. The pressure is on because “you have to comply not only with the letter of the law,

but the spirit of the law.” As such, the Big Four are focusing more attention on providing what Lui of PwC calls thought leadership. “In terms of dealing with regulators and other stakeholders, we have to be a full partner in terms of engaging them and having a dialogue together” rather than an adversarial role, he says.

One significant change in marketing tactics among the Big Four firms at this time of heightened regulatory vigilance is who they are selling their services to within a company. “Before, you were working primarily with top management, especially the CFO,” says Lu of Deloitte. “With changes in corporate governance, you’re not selling to the company’s management *per se*, but to representatives of the company’s shareholders. And inevitably, the first question they ask us is, ‘Who will you report to, the management or the board?’”

In addition to traditional forms of marketing, including advertising, media relations, research and publications, the Big Four have stepped up peripheral marketing events. In its fight to unseat PwC as number one

in China, Deloitte has organised numerous events on the mainland, such as a symposium in Shanghai last September, which brought in tax experts from around the world, and an annual Deloitte Tax Championship, with teams from Chinese universities competing in debates on tax strategy and law. To raise its profile, the firm also sponsored the Boao Forum for Asia, an economic summit on China’s southern Hainan Island, which aims to become “the Davos Forum” of Asia, Lu says.

In the short term, the real marketing challenge for the Big Four in China and Hong Kong is attracting and retaining employees. It’s a seller’s market – accountants among the Big Four in the region can hopscotch to any one of the other firms, and they often do. A survey of classified job advertising by the *South China Morning Post* and Nielsen Media showed that more than 3,000 accounting positions were advertised last year – a 43 percent jump. According to the survey, PwC plans to hire 2,000 new staff in the region, including 1,500 new graduates – 500 more than last year.

Different mindset

The key for the future of Big Four firms in terms of marketing is changing the mindset of accountants from service providers to advisors. That’s just the tactic all the Big Four are taking in building their business

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in China. “How do you set yourself apart from the competition? Frankly, that’s difficult to do when talking about the Big Four,” says Lu of Deloitte. “We are all doing similar things.” To create closer relationships with clients, both Deloitte and PwC focus on an “interdisciplinary approach” in which they first evaluate the company’s situation, and then advise the client on what is required.

At the same time, firms are taking steps to prevent bonds that are too close with clients. “We remind our consultants that the advice they give must be able to withstand the scrutiny of the legal system,” says Lui of PwC. In this fast-growth environment, a lot of marketing on the message of trust is being directed internally: at PwC, there are more in-house staff symposiums on ethics and employees are greeted daily by a computer message highlighting a point from the company’s code of ethics. “Rebuilding faith is a theme behind nearly everything we do,” Lui says. **A+**

