

# Albert Hsueh and Ray Chang Prepare to Cross Swords

*The new leaders of PricewaterhouseCoopers Taiwan and Deloitte Touche talk about their plans for competitive success*

By coincidence, two of Taiwan's largest accounting firms – PricewaterhouseCoopers and Deloitte Touche Tohmatsu – each have new “CEOs” (leading partners, actually), both of whom want to take competition to the next level. Can Deloitte's Ray Chang bring renewed luster to a firm tarnished by the Procomp bankruptcy scandal? And from his command post at PwC, can Albert Hsueh lead the Taiwan firm to new heights?

Deloitte and PwC make an interesting contrast, and so do their respective new top partners. With Ray Chang taking over as the head of Deloitte, and Albert Hsueh manning the helm from Springfield Lai at PwC, their firms – used to mutual competition as they are – are preparing to go into competitive overdrive.

In terms of size, PwC may have only half the number of listed clients that Deloitte has, but it is much more influential than its size suggests, as demonstrated by its ability to snatch big clients like the Taiwan Stock Exchange (TSEC) from out of Deloitte's hands.

## PricewaterhouseCoopers: Moving on up

In the unfolding battle, Hsueh will be leading the troops personally. Recalling the campaign to get TSEC, he still remembers how the other accounting firms' presentations played up their professional capabilities. For PwC, in contrast, the central message was “how to make the Taiwan Stock Exchange world class”. Sure enough, this Deloitte Touche customer of 30 years' was abruptly led away by PwC. At the time we were preparing our presentation, I just latched on to one key point: What does TSEC want? Who are its competitors?” Once Hsueh had decided to change directions, he asked colleagues to compare TSEC with the best stock exchanges in the world, and then use the results of the comparison to find material for the presentation.

“In the presentation, I recommended that TSEC establish exchange-traded funds (ETF). A few months later, TSEC had set up the Taiwan 50 Index” to serve as the basis of an ETF. As Hsueh puts it, “If you're going to fight, fight to win,” and in this one battle it is clear that his firm is on the upper hand.

“I often say that those who study accounting should wear special glasses to look at things, and consider them with a strategic vision,” Hsueh says, composed and confident, looking rather unlike a stereotypically cautious and conservative accountant, and much more like a general who has mapped out his strategy and is ready at any moment to enter the field of battle.

In the eyes of colleagues, “He is a person who thinks meticulously and acts according to plan,” says Steven Go, the head partner in PwC's Tax and Legal Services department, joking that “maybe it's because his Chinese name is particularly refined, and that has made him a fine thinker.”

PwC's Financial Advisory Services department won another victory, and this one was the result of long-term strategic planning. This distinguished corps has been decorated often in its 10 years of active duty. The head of FAS, Huey-erh Yuan, estimates that PwC has captured 60% of non-performing asset market in Taiwan. And recently, PwC has been participated in several important M&A deals involving foreign investors, some on the buyer's side, some in the seller's, and the 20-person unit doing the work initially has grown into a team of about 60.

When they were first organized a few years back, several FAS units barely broke even, Hsueh says, but even so, he did not cut back on his support. “We wanted to take the lead here, and start thinking about what future public companies will need.”

As a result, at a time when the accounting industry in Taiwan is grumbling about low service fees, revenue from financial consulting and international tax planning already account for 45% of PwC's total revenue.

With his emphasis on strategy, Hsueh is setting his sights on the competition for talent and on networking within the global firm. Hsueh's new second in command, James Tsai, has disclosed that out of the hundred or so people graduating from

Chengchi University's accounting department last year, more than 90 chose to join PwC. Hsueh, who has taught college classes on the side for over 20 years, explains that, for him, "teaching isn't for the money". He believes that teaching, besides being a way to give something back to the profession, is also a way to add value. "When [students] later enter society and encounter problems, they remember me and come to see me about them. I've been teaching for over 20 years, and now I see the advantages for the firm." Hsueh's faith in the benefits of education is such that he serves as a key presenter at virtually every public seminar that PwC holds.

## Q: What is your strategy for the future?

Hsueh: I liken PwC's current position to a BMW. BMWs give people the impression that they are both safe and have plenty of horsepower. As I have said to James Tsai, PwC's new chief executive officer (Hsueh's title is actually "Territory Senior Partner"), there are a lot of folks in the CPA business whose instinct is to hit the breaks, when what we need now is to find people who can step on the gas.

If an organization wishes merely to maintain its current position, it will find it easy to do in the short run, but very difficult in the long run; it may manage to survive in Taiwan, but it will be eliminated from international competition. Should any blindness toward controlling risks be revealed, growth will stall and it will not be come impossible to attract the best people.

Quality and growth are interrelated. Who wants to drive a car that is safe but has no horsepower? But if all you had were horsepower and little safety... Well, that is a car for daredevils with a death wish. For the sake of their clients, accountants should understand the capabilities of the vehicle they are in and the road conditions. Only then can they earn clients' respect.

While PwC has been casting its nets and expanding step by step, a much bigger firm (in Taiwan, at least) has been rocked by controversy in recent years.

## Deloitte Touche: Trying to Regain Momentum

After Enron collapsed in 2001, bringing Arthur Anderson down with it, many wondered if or when the next shoe was going to drop. For the Taiwan member firm of Deloitte Touche Tohmatsu, that happened in 2004 with the sudden bankruptcy of its audit client, chipmaker Procomp Informatics, as ten years of accounting fraud came to light. A good reputation decades in the making came close to being destroyed in a day. "With Enron, we could say it was someone else's fire to fight, even though Deloitte was involved indirectly. In the Procomp affair, though, it really was our problem to deal with," Ri-Yan Chang admits. "At the time, our internal procedures really did underestimate our risk at the client acceptance point.

Apart from risk, there was also the lingering culture-clash problems from the merger of the local DTT and Arthur Andersen firms. It has been three years since the merger of the two big Taiwan firms, but a recently retired ex-employee of Deloitte Touche revealed that the firm is still divided internally into DTT and AA camps. There is little interaction between them, much less cooperation.

Chang's selection for the top position can be viewed as an indication that the firm is determined to turn around its recent downward trend.

## Turning around Adverse Accounting Circumstances

Ri-Yan Chang says that fees charged by CPAs in Taiwan are now only half of what they are in Mainland China. The main reason, in his analysis, is that the market for accounting services in Taiwan is limited, and firms keep prices down to compete for clients. But if you sacrifice audit certification quality, accounting fraud starts to crop up.

"Accountants should be more unified," when it comes to facing rumors of price competition. Chang was unwilling to criticize much, however. He only hopes that the overall environment will gradually improve.

Springfield Lai at PwC and Young-Du Wei at Deloitte Touche crossed staves many times in the past, but now the competition between the two large accounting firms is set to enter the next stage.

In the future, will Ri-Yan Chang be able to restore the luster of his Deloitte's golden brand? And will Albert Hsueh be succeed in leading PwC to new heights? This is a test of strength between these two firms and these two leaders. The outcome may depend on whether they can transcend their own experience.