

Positive outlook for Taiwan

Last year, new leaders took charge of two of Taiwan's largest firms under different circumstances. One had to deal with the residual fallout from a corporate scandal, the other a 200 increase in staff over 12 months. **Arvind Hickman** speaks to the chiefs of Deloitte and PricewaterhouseCoopers

There is an air of optimism at PricewaterhouseCoopers Taiwan (PwC). Under the leadership of chairman and territory senior partner Albert Hseuh, the firm has set a target to become the most influential professional services body on the island state.

To achieve this, Hseuh tells *IAB* the firm will focus on recruiting quality, not quantity, and strengthen the service to sectors in which it already has a stranglehold: "In terms of employees, we currently have about 1,850 people, which represents about a 200 increase over the past year. However, I don't think a higher head count is critical. We think it is more important to hire talented people." He says the firm hires most of its graduates from the country's leading universities and he is encouraging staff to "gradually increase the percentage of recruitment [from overseas university campuses]".

In the past year, PwC reported double-digit growth in terms of fee income. The assurance and tax services lines increased 15 percent and advisory services grew 12 percent.

Hseuh explains: "We are very strong in the financial services sector as regards our non-audit services such as advisory and tax. We are also the largest [professional services] firm in the Hsinchu Science Park, the most important tech base in Taiwan. [Taiwan's equivalent to Silicon Valley and one of the world's most significant areas for semiconductor manufacturing.] We are the number one [professional services] firm in this park [serving local technology clients]."

"We have allocated a large training budget to develop our people and build our knowledge of the tech sector, and we leverage the resources of our PwC global and regional networks."

The firm is also proud of its track record in the field of valuing non-performing loans.

One service line that has not taken off in Taiwan as it has in the US and Europe is performance improvement consulting. Hseuh says it is "still relatively new in the Asia-Pacific market and we have found it difficult to convince our local clients to pay fees for this type of intangible service, possibly because they do not recognise its value".

However, PwC is focused on non-audit clients. There are plans to leverage the resources of the firm's global and regional networks to "create more opportunities for our tax and advisory lines of service", says Hseuh.

The firm is currently in second place in the Taiwan market and, over the past 30 years, has grown organically with little or no merger and acquisition activity. When Price Waterhouse and Coopers & Lybrand merged in most countries in 1998, Coopers & Lybrand Taiwan opted to join forces with KPMG.

Another significant merger in the market was the combination of the former Andersen firm with Deloitte Taiwan. The chief executive of Deloitte is Ray Chang.

Chang tells *IAB* that Deloitte Taiwan has more than 30 percent market share. "We certify for publicly traded companies with a total market value of TWD6 trillion [\$179 billion]," he says, adding that Deloitte Taiwan "has also exceeded its goal in annual revenue in fiscal year 2007".

Stormy weather

However, the past few years have not been without drama. In 2004, the firm was implicated in the scandal at Procomp Informatics, a computer hardware company that went bankrupt. As a result, Deloitte and KPMG were banned by Taiwan's Financial Supervisory Commission from certifying listed companies' financial reports for two years.

Chang argues that in the Procomp case "Deloitte Taiwan was the victim by misjudging client integrity". However, he admits the incident "did damage the image of Deloitte Taiwan". Since then, Chang says, Deloitte has worked hard to "win clients' confidence back by enhancing risk management".

The firm, in conjunction with Deloitte Global, has established a reputation and risk group. Potential clients are also thoroughly investigated before being accepted while existing clients are subject to a background check at least once a year. Chang identifies risk management as being an important priority for him as chief executive.

Another hurdle Deloitte Taiwan has had to overcome has been the integration of ex-



Albert Hseuh, PwC Taiwan

Andersen staff into the firm, which reportedly was a struggle because of the different cultures of the two organisations. Chang says Deloitte Taiwan "primarily maintains an audit group in both legacies".

"However, we let the two audit groups work together under the 'shoulder to shoulder' structure and it works very effectively. Actually, the merger between Deloitte Taiwan and the former Arthur Andersen [firm in Taiwan] has been going surprisingly smoothly," he adds.

Chang lists the firm's goals going forward: "We will continue to re-engineer our quality and risk management policy to improve the quality of our service... We will keep our commitment to invest in developing a high quality of human capital by international standards, to provide high quality professional service to our clients and to pursue excellence and a sustainable growth in profitability."

He says a challenge will be to keep pace with clients as they become more global. Hseuh also points to globalisation as being linked to PwC's performance in the coming years. "Globalisation will bring more service opportunities for us," he comments. "I am optimistic so I believe the future is still very bright." ■