EO International Department: A Global perspective

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The change in the firm name to Deloitte Haskins & Sells on May 1 served not only to underline the global nature of the organization, but also to focus attention on the importance of our international operations in the overall practice of DH&S. In the United States, the Executive Office International Department has responsibility for a broad range of services related to our practice in other parts of the world.

Historically, the record shows that Haskins & Sells was quick to recognize the advantages and importance of expanding abroad. In 1901, only six years after it was founded in New York City, H&S acquired the London firm of Conant and Grant, establishing its presence in that key financial center. London, in fact, was the third office of the firm, following by about a year the opening of an office in Chicago. London served as the firm’s base of operations for service to American clients with interests in Great Britain and on the Continent.

The armistice that concluded World War I signaled a new period of overseas expansion for H&S, with offices opened in Paris, Havana and Shanghai in 1920, followed by an office in Berlin in 1924.

Colonel Arthur H. Carter, who had joined H&S shortly after the end of the war and traveled frequently to London, became acquainted with Sir William Plender and other senior partners of Deloitte, Plender, Griffiths & Company, a major English firm of chartered accountants. Sir William and Elijah Watt Sells had met some years before. As a result of the talks that followed, an agreement was signed in the fall of 1924 under which the two firms would conduct their existing practices in Canada, Cuba and Mexico under the newly adopted name of Deloitte, Plender, Haskins & Sells. In the late 1920s and early 1930s DPH&S firms were established in South America, the Union of South Africa, Europe, the Pacific area and Far East.

Talks exploring the feasibility of closer relations between H&S and Deloittes were held in 1951 and concluded successfully the following year in an agreement reached between H&S managing partner Arthur B. Foye and Sir Russell Kettle and Sir Alan Rae Smith, his counterparts with Deloittes. The agreement essentially called for the merger of Deloitte’s U.S. practice into Haskins & Sells, and the merger of H&S in London into Deloitte.

In 1970 it was decided to formalize the relationship even further, and a four-man Administrative Committee was formed consisting of the two senior partners of the English and U.S. firms. This committee assumed overall responsibility for the international operations of H&S and Deloitte conducted by DH&S offices.

The international practice has grown steadily in size and importance since the opening of our first overseas office in London. By September 30, 1977, clients of Deloitte Haskins & Sells around the world were being serviced by almost 12,600 professional personnel based in 260 offices in fifty-six countries.

While all of the DH&S firms were united by a series of agreements providing for common standards of professional conduct and performance, no formal international structure existed under which the international firms could meet and exchange views. To meet this need, Deloitte Haskins & Sells International was formed in 1976, with a membership consisting of all the DH&S affiliated firms, and with a governing body consisting of the senior partners of each of the firms. The general administration of DH&S International is directed by an Executive Committee.

For Tom Hogan, vice chairman of the Policy Committee of the U.S. firm and senior partner responsible for the firm’s international operations, the creation of DH&S International and the adoption of the Deloitte Haskins & Sells name was the natural consequence of a series of events which had occurred over the past fifty years, and was, in reality, merely the formalization of an international arrangement that had operated successfully in serving multinational clients.

"I think it fair to say that while we’ve come of age, we have not shifted our perspective," Tom said. "We
have been involved in a strengthening of the ties between Deloittes, Haskins & Sells and our other international partners since the 1920s. These moves toward a closer association have been made on a systematic basis over a period of years. It is important to remember that providing the highest level of service to our clients around the world has always been the ultimate objective. The gradual changes affecting the relationships among the DH&S firms were made in the past to reflect the changing nature of the profession itself, of the economic and financial developments within the various countries and, in the final analysis, of the dynamic nature of our world.

"The situation has changed so dramatically that the large public accounting firm can no longer think in purely national terms. Our orientation has to be international now, simply because so many of our clients are multinationals and others will become multinationals in the future. We could not provide the level of service our clients expect and receive from us if we did not think in international terms - and possess the organizational structure to provide these services. The flow of investment funds from country to country, continent to continent, demands of us the ability to function effectively in any part of the world."

But if the change in name is intended to reinforce the firm's one-world image, additional steps are being taken to ensure that the image continues to reflect reality.

According to Tom Hogan, a program for setting up uniform standards for DH&S firms has been under way for some time. "As an example," he said, "the firm is working toward a 'harmonization of auditing standards' that will, when completed, provide a consistent body of auditing standards for the entire DH&S organization.

"Our position," he said, "is that services performed by any DH&S office should be performed in accordance with standards established by the worldwide firm. This demands that a consistently high level of services must be provided to all our clients, regardless of location. We have always believed that a client of one of the smaller offices in the DH&S family has a right to expect the same quality of services as clients of the larger offices. The name change, in effect, simply underlines that principle, which we've followed throughout our history."

The adoption of this principle in practice has produced very tangible benefits to multinational clients, Tom pointed out. A partner in charge of an engagement, as one example, has complete responsibility for the work being done for his client not only in his home office, but anywhere else in the world as well. Thus that partner can instruct a participating office - either domestic or foreign - on how he wants the services performed and when certain services should be completed.
“What this means,” Tom said, “is that the multinational client is assured that our services are being supervised and controlled by the individual partner he deals with and knows. The efficiencies resulting from this system ensure uniform performance adapted to meet the individual client’s needs and help us control our costs which are, ultimately, reflected in our fee schedules.”

Jim McGregor, partner in charge of the EO International Department since June 1977, agrees with Tom that the name change is only one reflection of a strengthening of the ties between the various firms in the DH&S family.

Jim runs a tight ship in EO International, considering the far-reaching responsibilities of the group. In addition to heading the department, Jim is responsible for liaison with associated and correspondent firms.

Partner Dale Baker assists Jim and concentrates on Latin American operations, while manager Drew Wallace is responsible for personnel administration and for providing administrative assistance to Jim and Dale. Completing the roster are Ernie Krauth and Goldie Nanos, who are involved in support and administrative functions.

Jim McGregor, who like Dale Baker and Drew Wallace has served with overseas offices, sees international operations becoming even more important to the overall practice of the U.S. firm in the future. There are several factors affecting our practice that point to an increasing involvement overseas, according to Jim. The first is the growing number of U.S. clients with interests abroad.

“We have to meet the needs of these clients,” Jim said, “and that means not just in this country. They expect us to be able to provide the same on-site expertise abroad as they receive in the United States. Furthermore, many client executives serving in overseas locations are frequently more comfortable if they can discuss matters with a U.S. representative of the firm. I think having U.S. people in key overseas offices also builds client confidence and projects very clearly the international-team nature of DH&S.

“We’ve moved strongly in the past and are continuing to put emphasis on having most of the professionals in foreign offices be nationals of those countries. But you have to remember that it is virtually impossible for any individual to be equally expert in accounting and auditing procedures and regulations of the United States and one or more other countries. By having U.S. professionals in offices overseas, the client is assured, and visibly so, that he is receiving the broad-based professional competence he requires,” Jim pointed out.

There has been considerable growth in the volume of tax services we provide abroad and continued expansion is anticipated. A good portion of this practice results from the complicated tax returns that must be filed by U.S. citizens residing outside the U.S. There is increasing recognition among these Americans that it is to their financial advantage to have their tax returns prepared by specialists.

“We’re also moving more strongly in the area of tax consultation for clients considering overseas opera-
Team responsible for operations of EO International Department includes Tom Hogan (front right), vice chairman of U.S. firm Policy Committee and senior partner responsible for international operations; Jim McGregor (front left), partner in charge of the department with responsibility for liaison with associated and correspondent firms; partner Dale Baker (rear left), who assists Jim and concentrates on Latin American operations; and manager Drew Wallace (rear right), who has responsibility for personnel administration and provides administrative assistance to Jim McGregor and Dale Baker.

Photograph not included in Web version
tions," Jim said. "Tax considerations can be critical for companies interested in overseas expansion, and that company must know how its overall financial situation will be affected by U.S. tax laws as well as those of the foreign nation. More and more clients are becoming aware of the advantages of consulting with a large international accounting firm such as Deloitte Haskins & Sells about relevant tax matters very early in their planning stages."

Other areas of potential growth involve management advisory services and computer operations. The two are closely interrelated because such a large number of MAS engagements involve data processing systems. In computers, two of the firm's major programs — Falcon/Forecast and Auditaape — are finding increasing markets overseas. In the case of Falcon/Forecast, there has been considerable expansion of its use in Europe, Japan and Canada. Only this spring the United States and the United Kingdom firms agreed on a joint venture designed to expand the potential for Auditaape around the world. Members of the EO Computer Services Department in New York and others from the EO London Technical and Training Department will be meeting through the fall in an effort to put into action a fifteen- to eighteen-month program to develop a new software package for Auditaape that will permit its application on a far broader range of hardware than is presently possible.

DH&S has been providing MAS services abroad for many years, but demand for these services has increased sharply recently. The firm, for example, developed management information systems for Blue Bell, Inc., a client of our Greensboro office, some time ago. The client, which has operations in many parts of the world, has engaged us to adapt as required the systems developed for the U.S. so that they can be used by Blue Bell's overseas subsidiaries.

The firm also has received an engagement from the Government of Iran for a major extension of services that will, over an 18-month period, develop and begin implementation of an improved financial management system. We were first engaged by the Iranian government in January 1977 to develop a series of interim improvements and begin work on a long-range plan. Another engagement with the University of Petroleum and Minerals in Saudi Arabia involves a survey of financial information requirements and recommendations as to the use of software packages. Additional MAS engagements in Jordan, South Africa and Ecuador only hint at the extent of our overseas MAS activities, with at least one director calling the potential "unlimited."

Both Tom Hogan and Jim McGregor agree that the success of our international operations, as of those in the United States, depends on the quality of our people — with a difference.

"To put it bluntly," Tom said, "the partner, manager or senior who accepts an overseas assignment has to be better than average. That person has to be not only highly skilled in the accounting profession, but willing and able to assume heavier responsibilities than he or she would have in the United States in most cases. The individual must be adaptable to a whole range of new experiences, and must like people."

Jim McGregor put it another way. "The accountant serving overseas often is the only U.S. representative in an office. Consequently, he or she not only has to answer any questions that arise concerning U.S. accounting and auditing procedures, but must represent the U.S. firm to client executives stationed in that country as well as to top management of the clients who may be visiting there."

"We place a premium on versatility, on flexibility, on resourcefulness, because these characteristics are invaluable in a foreign environment. Overseas service definitely tests an individual, but it also develops that person, broadens the accountant not only professionally but personally and culturally as well."

Much of the EO International Department's efforts are focused on two programs, separate and different yet related in overall objective. The first is the Exchange Visitor Program, which brings professionals from abroad to the United States. The second is the International Assignment Program, which complements the Exchange Visitor Program by assigning U.S. professionals to overseas offices.

Under the Exchange Visitor Program, accountants from DH&S offices abroad spend eighteen months (the maximum permitted under law) with an office in this country. During his or her stay, the visitor receives practical, on-the-job training in U.S. auditing techniques, a knowledge of our accounting principles and their application, U.S. reporting standards and format, and financial filing requirements of the Securities and Exchange Commission.

Although both New York and London have acted as hosts to foreign visitors for many years, the Exchange Visitor Program in the U.S. was expanded substantially in 1958. It has been administered by the EO International Department since its inception.

During their year-and-a-half in this country — timed to give them exposure to two busy seasons — the exchange visitors attend firm meetings, seminars and training programs, and are given increasing responsibilities on engagements. These assignments usually are selected to give the visitor maximum exposure to a wide range of U.S. procedures and techniques. (A complete report on the Visitor Exchange Program appeared in the Winter 1975 issue of H&S Reports.)

If the basic thrust of the Visitor Exchange Program is to give foreign professionals on-site exposure, practice and training in U.S. accounting, auditing and related techniques, the International Assignment Program puts its emphasis on providing U.S. professionals where needed around the world. Both programs reflect the growing involvement of U.S. multinational corporations abroad, although the IAP probably does so more visibly than the Visitor Exchange Program. Essentially, however, the two programs support each other and provide the broad-based international expertise required in key overseas locations.

Formally instituted in 1965, the International Assignment Program also is under the supervision of the EO International Department. The overseas program is
open to experienced senior accountants, managers and partners in all areas of our practice, including accounting and auditing, tax, management advisory services and small and growing business services. The firm generally prefers to use people who have volunteered to serve overseas. Three years is considered the normal stay at a foreign office for those in the IAP.

Anyone selected for the program must meet certain standards of professional experience. A senior, for example, must have sufficient experience and ability to supervise some of the larger engagements; participate actively in staff-training sessions and provide on-the-job training; become fluent in a foreign language if necessary, since assistants often will not speak English; and acquire a working knowledge of local tax, accounting and auditing practices.

Managers, usually those with at least two or three years of experience, would be expected to consult with local-office personnel on U.S. accounting, tax and other business matters; assist in a staff-training program; be responsible for concurring reviews on audit reports involving U.S. generally accepted accounting principles and perform overriding reviews of working papers on such engagements; and maintain business contacts with officials of clients and nonclients.

Partners participating in the IAP normally act as coordinator between the U.S. and the local firm. In some cases this role brings with it the opportunity to serve as partner in charge of the office. The partner also has a special responsibility as liaison between the U.S. firm and American clients operating abroad. In addition, partners serve abroad as technical specialists.

"Because of the various responsibilities a person participating in IAP must assume, we look for certain very specific attributes," Jim McGregor pointed out. "For example, because he or she may be the only U.S. professional working in a particular office, that individual will be consulted frequently on technical matters involving U.S. accounting principles and auditing standards. Thus that person must have a sound, well-rounded technical competence. Technical competence is also vital because the U.S. professional will be responsible for supervising and guiding the local staff."

Because the U.S. accountant serving overseas will be immersed in a new culture, that individual — and his family — not only must be willing to learn a new language if necessary, but also must be ready to accept different and perhaps unfamiliar customs and to adapt to different living conditions.

"Personality is a key factor," Jim stressed. "We need people who have ambition, drive, energy, flexibility, imagination, patience, tact, resourcefulness and a liking for people." Those volunteering for the IAP are screened carefully by the firm to ensure that they have the professional and personal qualifications that experience has found most likely to make their stay overseas successful.

Service abroad does provide a number of very real benefits. The experience tends to be very broadening from a professional standpoint, not only because the individual faces the challenge of adapting to new practices and different ways of doing things, but also because he or she acquires a specialized background on the country. And it should be remembered that after three years this background includes far more than professional expertise. He or she has gotten to know the political and economic climate, the people, the way they think, their culture and traditions. The individual has been involved in a broad variety of problem-solving situations, many of a far different nature than would be encountered in the United States. When faced with certain problems, he is not able to walk down the hall and discuss it with a colleague, or pick up the telephone to call EO, as in the U.S.

For the individual and the family, the rewards of overseas service are almost immeasurable. It is almost a cliché to say that travel is broadening, but the truth is that a stay of three years in a foreign country can be enormously enriching. The EO International Department points out that excellent schools are available for the children of U.S. professionals assigned to an overseas location. The level of education in these schools is almost always at least as good, and often better, than those of comparable U.S. schools.

"Another benefit of overseas service," Jim added, "is how easy, convenient and often inexpensive it is to travel to other countries. As only one example, imagine how many countries you could visit on vacation from a DH&S office located in one of the European countries."

Finally there is the question of career advancement, a factor of legitimate concern to any serious professional. Here, too, Tom Hogan and Jim McGregor are in agreement that participation in the International Assignment Program can benefit the individual.

"Any person serving abroad is attached to the EO International Department," Jim said, "and so we monitor and evaluate his or her progress closely. The fact of the matter is that the people in the program are above average to begin with, and they are placed in positions of great responsibility. I don't think there's any question that a person serving abroad can advance as fast, and perhaps faster, in the firm as those who do not leave the country."

The statistics appear to support this observation: since 1965, of the thirty-nine people who began their overseas assignment as managers, twenty-one are partners in the U.S. firm, two are partners in other DH&S firms and nine have resigned. Of the remaining seven, five have been with the firm for less than ten years. In addition, eleven individuals with international experience are presently in charge of U.S. practice offices and three individuals are currently serving as partners in charge of EO departments.

The change in the firm name reflects the international nature of DH&S, the strengthening of historic ties. Financially and economically, at least, the world itself is becoming more interdependent. How these developments will affect the nature of the profession and the firm in the years ahead is hard to predict. But it does seem safe to say that it will throw more emphasis on the role of the EO International Department and its part in the growing practice of Deloitte Haskins & Sells.