

1970

H&S around the world

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Recommended Citation

H&S Reports, Vol. 07, (1970 winter), p. 14-15

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H&S AROUND THE WORLD

Should anyone set out to visit all the overseas offices of our Firm he could end up with airline tags from 76 leading cities covering his luggage, and would have taken his bags through customs in 42 different countries—not counting the United States—on six continents. If he met all our partners, principals, directors and managers in our international offices, he would have about 360 faces to remember and hands to shake. Then, if he should visit our correspondent firms, he would add another 22 countries in the Near East, Middle East, the Pacific and elsewhere.

Wherever H&S clients require service today we can supply it. In most parts of the world outside the United States we carry on our international work through the firm of Deloitte, Plender, Haskins & Sells, which came into being in 1924 through our close association in previous years with the British firm of Deloitte, Plender, Griffiths & Co. In certain places where DPH&S offices have not been established, we serve our clients through correspondent firms.

The scope of our international practice is steadily broadening as our clients expand their activities in a time of increasing economic interdependence among the peoples of the world. Just a glance at four examples among our clients will reveal how far they extend. The Bendix Corporation, for instance, has 70 foreign subsidiaries in 15 countries. International Harvester has 27 subsidiaries in 20 countries. General Motors has 52 subsidiaries in 27 countries, and Minnesota Mining & Manufacturing has 80 subsidiaries in 31 countries.

Although the greatest spurt in our international growth has taken place in the past five or six years, we began going overseas very early. Our first office outside the U.S. was established in 1901, just six years after the Firm

was founded in New York. Shortly after that H&S began to work with the British firm of Deloitte, Plender, Griffiths & Co. At first the two firms cooperated in taking engagements for each other, but soon after World War I H&S opened offices in Havana and Shanghai, and then in Paris, Berlin and Manila. By 1924 a closer cooperation suggested itself naturally by the fact that we and our old British friends in Deloitte found ourselves performing services side by side in a number of cities outside our homelands. In 1924, therefore, we joined in forming DPH&S which today operates over most of the globe, outside the United States and the United Kingdom. An agreement in 1952 involving further parts of the free world led to an even broader expansion of DPH&S offices, into areas where we had not offered extensive service before.

Since 1964 we have added DPH&S offices in 20 cities of four new countries. A more striking indication of our recent growth is the fact that we more than doubled the number of our international partners, principals, managers and directors in this time. (The increase was from 167 in these positions in July 1964 to 357 in July 1969.) Today we arrange for a great many transfers between this country and other lands, and this takes place in both directions. Young men come to the U.S. for 18 months at a time, then they return to their far-flung home cities and practice offices with an appreciation of the H&S philosophy and methods that it would have been much more difficult for them

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to obtain had they not served a stage with us.

The dominant pattern, however, in our international exchange of people lies in our program of foreign assignments for Americans, some of them partners, but for the most part senior accountants and principals. The H&S men who go abroad to serve in one of the DPH&S offices gain valuable professional experience and the opportunity to get a knowledge of the world.

In 1968 our first audit of the Asian Development Bank in Manila was supervised by a partner from our Executive Office and a principal from San Francisco. It gave our two men some unusual and intriguing accounting problems to solve, plus a chance to practice their diplomacy with a Japanese president, an Indian vice president, a Pakistani treasurer, a Danish international auditor and a general counsel from the U.S. In Brazil we have for some years been on an engagement with the Matarazzo Group, one of the largest industrial complexes in Latin America. The professionals serving this client have become familiar with textiles, chemicals, synthetic fibers, food and household products, cement, brick, tile and building materials, salt and other mines, and even ranching, farming and cotton ginning.

In our DPH&S offices day-to-day activities are conducted by at least one resident partner or manager. The non-resident staff from New York or London counsels and concurs on major policy matters. As in stateside offices, a copy of each report rendered to a client goes to the Executive Office in New York for review and comment, and our basic aim is to bring all practices as close together as feasible. Most of the staff is engaged locally and the offices comply with the local legal requirements.

Perhaps the most fascinating aspect of international practice, to my mind, comes from the different accounting philosophies that a man will discover abroad. Because he will be auditing to translate facts so they are meaningful to the home offices of U.S.-based firms, he has a wonderful chance to probe beneath the surface, and he will learn that a new accounting philosophy is never accidental. Instead, it reflects the goals and needs of another people.

To be specific: an audit in the U.S. must show how a firm fared that year, whether it was good or bad. Any accounting method that "adjusts" to conceal the annual picture is considered dishonest, at least morally. So a highly

profitable sale of plant property may not be used to offset losses from the year's regular operations. We want precision within a fixed period. We want investors and creditors to judge for themselves *all* aspects of a company's activities.

But in other countries we find a philosophy of "income leveling." A corporation may allocate some of its profits for "secret reserves" and use these to raise income in a poor year. These are practices which, of course, we do not condone. Why do companies do this? The professional learns, finally, that there is a desire to avoid false encouragement—or too much disturbance—of stockholders from one year to the next. The need may be justified or not, in terms of local conditions and needs. In any event, the philosophy shows a great difference in point of view toward the stockholder. So the DPH&S professional must learn the reasons for differences, and which may diminish quickly, which slowly, or possibly never.

To be eligible for overseas assignment, a man must have a well-rounded, sound technical ability, for his procedures will influence local staffers. He should be adaptable and have a liking for people. He and his wife must be

willing to remain abroad for three years, the usual length of assignment. We ask for individual geographic preferences but we cannot guarantee that we can give this priority over our international program. When a man returns from overseas, he is usually assigned to engagements for clients with international operations.

Today our international practice is so vital that we often send partners on worldwide tours to give them an overview. In the future, a man's international experience may be an important credit in judging candidates for promotion to principal, or admission as partner. We find that the more ambitious, far-seeing young members of the H&S family welcome international assignment as a career opportunity.

As we begin the 1970s no one can predict just where the world will be at the decade's end. But it is certain that our international practice will increase as our clients continue to expand. Here the ceiling is unlimited.

Not only in the U.S. but in every country of the world, we see burgeoning international expansion, *multi-* and *transnational* operations. Certainly, funds for expansion all over the world will go to the enterprises with a favorable attitude toward long-range growth. Our audits, therefore, are needed by clients who are concerned, not with differences in details, but with meaningful information to help them make decisions in the world capital market.

For this they need to understand the intentions behind any national accounting differences. The DPH&S professional develops such knowledge, together with flexibility, persistence and a deep respect for colleagues in other lands. And as he does, and orients his practices toward fairness for all, we may hope that he plays a truly vital, meaningful role in increasing general world understanding. □