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TRB & S International

Que Pasa?

This article is based in part on a talk given by Donald J. Bevis at the recent meeting of the partners in charge of U.S.A. offices. Consequently, the comments and observations are directed primarily to partners and staff of the USA firm.

THE INTERNATIONAL Group of Touche, Ross, Bailey & Smart is no longer the dream of a handful of partners. Today it is a reality, and we in the International Coordinating Office and all of you in the USA firm have a stake in it. In this article we would like to tell you a little about the progress that has been made, the work of the International Coordinating Office and things that can be done by the partners and staff of the USA firm in the development of our international program.

At the outset we should state that the basic objective of the International Group of Touche, Ross, Bailey & Smart is to achieve and maintain the capabilities for providing high-quality services to international clients in all the principal areas of practice — accounting and auditing, taxation and management services — in any part of the free world. The International Coordinating Office has been created to provide full-time leadership for the attainment of this objective.

WHY WE HAVE AN INTERNATIONAL GROUP

When the three of us first sat down together to discuss what should be included in this article, there was immediate agreement that something must be said about the essentiality of having an international organization. We know that many of the partners and staff in the U.S.A. firm have had little experience with our international organization, and questions about the time and expense involved in this activity are inevitable. But for those of us who have already experienced being part of an inter-

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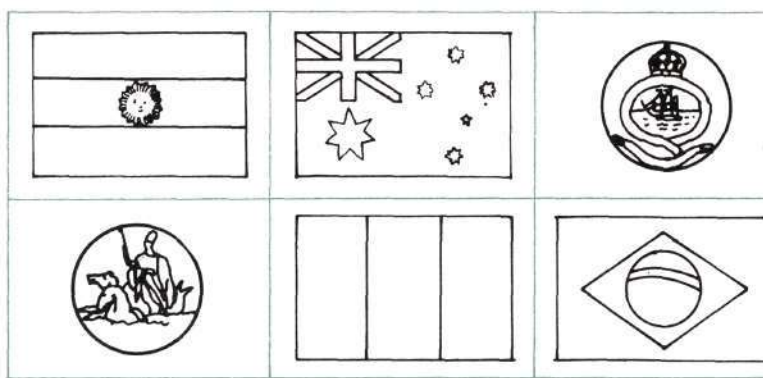
national group, there is no doubt that an international organization is essential for the continued growth and prosperity of all the component firms, and particularly TRB&S in the U.S.A.

On October 1, 1959, Mr. Bevis presented to the U.S.A. firm's Partners' Meeting a paper entitled "Progress in Organizing the International Firm". In that report he cited the compelling need for an international organization to enable us to meet the needs of clients such as Parke Davis, Kaiser, Litton, Chrysler, and Sears, Roebuck, as they extended their activities into many other countries. At that time, we had no way of knowing how our existing clients might react as they moved into new countries and found we could not give them service. However, we were certain that the risk of doing nothing about an international organization of our own was substantial.

Even though we had a number of international clients at the time, there were still those in TRB&S who could not see the need for an international organization. It became apparent to all, however, that our reputation as one of the leading firms in the public accounting profession was also at stake. At least four of the other large firms in the USA already had established international capabilities, and the others were actively seeking ways to achieve international stature. We can assure you that these other firms have not let up in their efforts to develop and promote their international capabilities, and they share our conviction as to the importance of an international organization for future growth.

We sincerely believe that the future growth of the public accounting profession will depend largely on the profession's capabilities in the relatively new areas of management services and international practice. The

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ability to render services in these two areas will lead to increased use of our accounting and auditing and taxation capabilities.

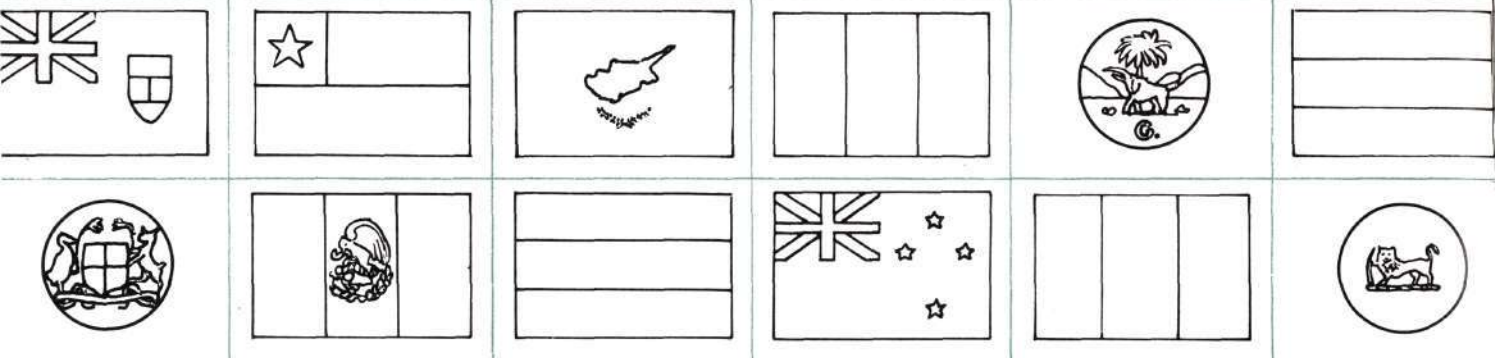
As in the past, the profession and its individual firms will be forced to expand to keep pace with the expansion of business activities. Foreign investments of U.S. capital have increased almost 250% in the last ten years, and are still rising rapidly. Hardly a day goes by that we don't read of some new U.S. venture into international business. The flow of capital from Japan, from the Common Market countries, and from many of the other developing countries is increasing daily. This is bound to stimulate new work for the public accounting firms having international capabilities, and TRB&S is ready.

The essentiality of an international organization was recognized by the original three firms, George A. Touche & Co. in the U.K., Ross, Touche & Co. in Canada, and Touche, Niven, Bailey & Smart in the U.S.A., as early as 1956. Together, they formed the first International Committee to consider the various alternatives for meeting this need, and in 1959 the International Group of Touche, Ross, Bailey & Smart was conceived.

WHAT OUR INTERNATIONAL GROUP IS LIKE

As Mr. Bevis reported in his 1959 paper, the original International Committee gave serious consideration to three possible plans for achieving international capabilities. To continue as we were at that time, using a different correspondent firm in each country, would not give us the international image we desired and for many other reasons was out of the question. The Committee considered the possibility of an exclusive representation agreement with one of the established international firms. This alternative had several obvious disadvantages, and there was a strong feeling that such an arrangement would be an abdication of our responsibility to our existing international clients. Having rejected these two approaches, the Committee was left with two alternatives, to open our own offices in other countries or to form exclusive association arrangements with reputable local firms.

Looking back to 1959, it is difficult to believe that we



ever seriously considered an attempt to open our own offices. It would have been impossible to find sufficient numbers of qualified personnel for such an undertaking. All of the other international firms have told us in the last several years that they are having serious problems finding high quality people who are willing to work in another country for a reasonable salary. Most of the other international firms have given up any attempt to staff their international offices largely with people from the U.S., from Canada or from the U.K., and they are using local people instead. We believe several of these other international firms have also recognized the advantages to their clients of having native personnel who are familiar with local business customs, tax practices, etc. This is a good point to remember because we have had one or two cases of clients who indicated a preference for another firm under the mistaken assumption that their work in other countries was being done only by USA personnel.

After considering all of the alternatives, that first International Committee finally concluded that an international group of associated local firms would best meet the objectives of TRB&S. In this way, TRB&S could immediately acquire the background and expertise in the business practices, tax requirements, etc. that we knew our clients would be looking for in their international ventures. Further, the demands on the original three firms for staff would be minimized.

Of course, the Committee members knew there would be problems too. Most of them had traveled enough at that point to know that it would not be easy to find good local firms in some countries. Nevertheless, they moved ahead and we have today a group that we can be proud of. In each country in which good local firms could be found, TRB&S has selected the best for membership in our International Group. Our associates are first-rate people, people who are known and respected in the business community of their respective countries.

In less than five years, our International Group has grown from three firms with 37 offices to thirty-six firms with over 135 offices. TRB&S now reaches into substantially all of the major business centers of the free world.

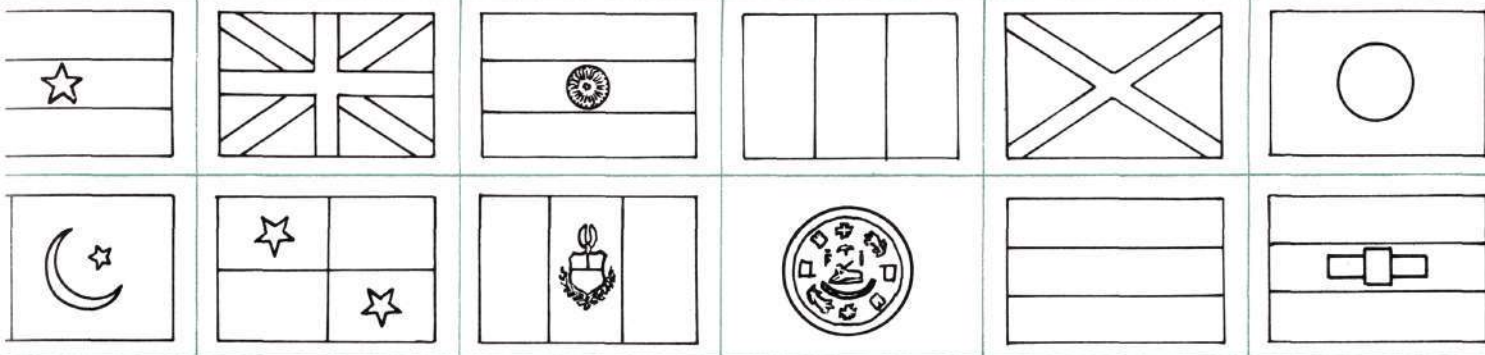
NEED FOR THE INTERNATIONAL COORDINATING OFFICE

Finding the firms we wanted for the International Group was only the first problem to be overcome. However, because TRB&S was among the last of the big firms to enter the international field, it was necessary to concentrate on that problem. Most of the time and money spent on international activities in the first several years was for exploration of new countries. As the International Group began to take shape, we were able to devote more attention to the problems involved in making the TRB&S concept work.

In many other countries there had been little or no demand for the public accounting profession as we know it in the U.S.A. The qualified local firms had developed their practices for the most part around tax services and organization work, with most of the auditing work done by the international firms. The local firms had long been interested in developing audit work, but their local clients had been slow to respond. Only in recent years have the lending institutions in other countries begun insisting on audited financial statements from borrowers and potential borrowers. As a result, we have been faced in many countries with a sizeable educational program, to teach the special standards and procedures we observe within the USA firm, and to insure complete understanding of our clients' needs. The difference in individual and national attitudes in different parts of the world has made this task particularly challenging.

Trying to mold a group of independent local firms into an international group was also a complex challenge. It takes a great deal of time and effort to develop in each of our offices around the world that essential feeling of oneness with TRB&S. Effective means of communication were needed; techniques for coordinating of the efforts of individual firms were required; and most important of all, it was essential that TRB&S people in all parts of the world get to know each other. A substantial part of our resources in the last several years have been put into this effort.

While our International Group was still small, it seemed feasible to deal with these problems through the



part-time efforts of the various members of the International Committee. However, our rapid growth made this technique unworkable. Dividing responsibilities for our international program among the original three firms just created additional problems of communication and coordination, and led to inconsistencies in dealing with our many associates. All the members of the International Committee sensed this inadequacy in our organizational concepts at about the same time, and last fall the Committee took steps to overcome it. At last year's regular fall meeting of the Committee, it adopted the concept of an International Coordinating Office, with a full-time staff responsible for execution of the TRB&S international program. At a special meeting two months later, a program for 1964 was approved.

We would like to tell you a little about our international program and the work of the International Coordinating Office. Unfortunately, the space limitations of an article such as this will not permit detailed description of all parts of the program. Therefore, we will summarize and concentrate on the most significant parts . . . quality control, practice development and international coordination.

QUALITY CONTROL

As you all know, the USA firm has for many years maintained a regular program for controlling the quality of work done for clients in this country. The principle feature of this quality control program is review of all work by someone independent of the engagement, often someone from another office. This includes office report review, cold reviews arranged by the Executive Office, and the more comprehensive reviews by task force teams. Our firm has long recognized that continuous attention to the quality of our work and reporting is essential to maintenance of the confidence of our clients and the business community.

The other firms in our International Group share our concern about quality, and have their own programs for meeting the needs of their local practices. The work they are doing for clients referred from other countries has placed an added responsibility on them. Not only must they observe their usual standards and procedures, but

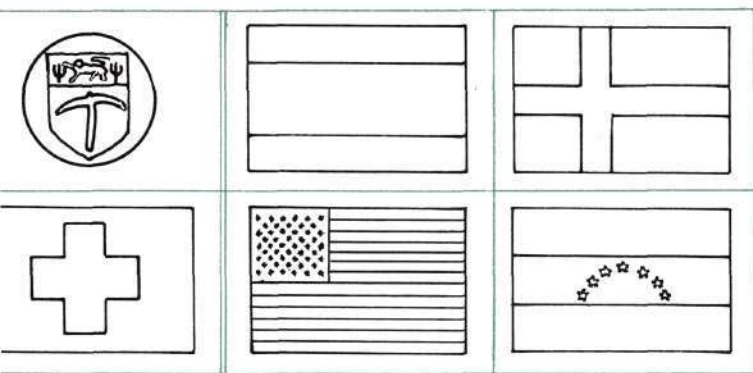
they must in many instances perform added steps to satisfy the needs of the referring firm. It is the job of the International Coordinating Office to see that there is a clear understanding between the two firms, and to ascertain that the referred engagements are carried out to the satisfaction of both firms.

Because a substantial percentage of our Group's present international work is referred from the USA firm, the International Coordinating Office was established in the USA to be close to the source of the work. However, we are in constant contact with the TRB&S firms in other countries and visit many of them regularly. To assist with our quality control program in other countries we have a small staff of qualified, experienced people in three regional coordination locations. We are in continuous contact with our member firms in South America through our two men in Sao Paulo, Brazil; another man in available in London to work with member firms in Europe; and one man is using our Tokyo Office as a base for assignments in the Far East. In addition to this full-time staff, we are frequently assisted by partners or staff members who are visiting other countries on special assignments.

PRACTICE DEVELOPMENT

Our program for practice development is doubled-barrelled, and embraces both development of new international business and assistance to individual member firms in local practice development. Let's consider the latter part first. Each of the firms in our International Group has its own unique concerns and plans for the future. Before becoming a member of our Group, each firm was forced to find its own solutions for problems, its own paths to self-improvement and growth. Membership in the International Group of TRB&S has made available to each of the firms a wealth of experience and other resources. Where assistance is desired, the International Coordinating Office is ready to assist any member firm in working out solutions to problems, administrative as well as technical, and in developing and carrying-out programs to achieve their long-range goals.

One phase of our effort to assist our firms with their practice development programs deserves separate men-



tion. We have found that the field of management services is becoming as important in other countries as it has become in the USA. The capabilities of our member firms in this increasingly important area of our practice vary considerably. Some are already deeply involved in management services work while others are just getting started. Because of the importance of this area to the accomplishment of our basic objective, we have established international management services as a separate part of our total program, under the leadership of the Coordinating Partner for International Management Services. It is his responsibility to know the management services capabilities of the TRB&S firm in each country, to assist the firms in finding and training management service personnel, to help develop and staff international management services engagements, to disseminate information about our international capabilities, research efforts, new techniques, etc. and to represent TRB&S in international meetings of management organizations.

While our practice development program at the local country level involves assistance to the member firms with their programs in areas such as obtaining and training staff, improving office administrative procedures, developing management services capabilities, etc., our practice development program on an international scale is designed primarily to bring in new work. The International Coordinating Office maintains relationships with the principal international lending agencies and banks, and represents the Group in dealing with international organizations such as the United Nations. We also coordinate business contacts involving more than one country. Our associates are known and respected in their local business communities, and each has contacts that could be beneficial in developing new work in other countries. An organized effort to make the most of such contacts is possible through the International Coordinating Office.

COORDINATION

From what has been said about our program up to this point, it should be obvious that a great deal of our time and effort must be devoted to coordination. It would be impossible for thirty-six firms in as many different coun-

tries to operate as a unified International Group, without some central clearing point. All of our offices, in the U.S.A. as well as in other countries, can look to the International Coordinating Office for assistance in handling matters involving another TRB&S firm. We assist in arranging inter-firm staff transfers, the handling of inter-firm billings, exchanges of technical information, arranging international meetings, and a myriad of other matters. It is time-consuming, but never dull.

Ours is a fairly ambitious program. Many of the things that must be done to achieve our long-range objective will not be accomplished in one year. Some parts of this program will stretch out over several years, and it will be necessary to add new parts to our program in future years to deal with new situations and new problems. Continued investments of time and money will be made, but one of the most important ingredients for success will be the enthusiastic support of all the partners and staff of TRB&S in the U.S.A. Some of you may not be convinced of the value of this investment today, but it is an investment that must be made if our firm is to maintain the high standing we have all worked so hard to attain.

HOW CAN YOU HELP?

We will mention a few specific things each office can do to further our international program.

Quality Control

Obviously, with its limited staff, the International Coordinating Office cannot be everywhere at once, assisting with all of the TRB&S work being done in other countries. Nor are we in a position to know what your clients' specific needs and desires are. Each office must see to it that instructions to an office in another country are clear and sufficiently detailed. Further, you must make a thorough and critical review of the reports submitted from other countries to see that your clients' requirements have been met, just as you do for work referred to another U.S.A. office. If you or your client are not satisfied with the services received, let us know. We are working with the other TRB&S firms almost daily, and are in the best position to act to correct the situation. Neither our associates in other countries nor those of us in the International Coordinating Office have any psychic powers. If you don't let us know when you have a problem, there is nothing we can do about it.

Training Assistance

One of the most frequent requests from the other TRB&S firms is for assistance with their programs for training their personnel in both audit and management services. We know of no better way to give such assistance

than through on-the-job training in one of the U.S.A. offices. We have already done a small amount of this training, but a much greater effort is required. We are counting on all the U.S.A. offices for help in this area, and not just the larger offices. Naturally, we must be as selective as possible in accepting requests for training assistance because of the high demand. We try to insure that the people selected have the necessary linguistic ability, and other attributes to fit easily into the assisting office. In the past, some offices have been reluctant to accept responsibility for a share in this part of our program, but they have tried it and found it a rewarding experience. They have found that their own staff people benefit from the experience also.

It is most important, when someone from another country is in your office for training, that each of you make a personal effort to help him. One person will be assigned to counsel him, and see that he is kept busy on work that will challenge him, but each of you can impart something of value to his training experience. Your help will be appreciated and you will be making a significant contribution to the strengthening of our International Group.

Loaned Staff

Some of the TRB&S firms find it impossible to send staff to other countries for extended periods. A better means for assisting these firms with their training programs is to have an experienced person from another member firm working in their office for a period of a year or two. We have given a lot of thought to such a program and believe these temporary transfers would be highly beneficial to both the recipient office and the office furnishing the man. If an office furnishes a man for a temporary assignment in another country, we sincerely believe it will get back a much better man than it sends. The experience such a man will get in working for one or two years in another country could not be duplicated in the U.S.A. Already, several offices have furnished seniors for temporary assignments in other countries. They are first-rate people and will do a lot for the International Group, and for the U.S.A. firm when they return.

One word of caution, however, before you sit down to write to us requesting a transfer to one of the sun-drenched islands of the Caribbean or one of the glamorous capitals of Europe. Assignments in other countries, even when of limited duration, require a certain kind of person. The man, and his wife, must have strong personal motivation to learn the language, business customs, and cultural background of the country in which he will work. He and his wife must be willing to adapt to different modes of life, both physically and mentally. For the man

or woman who can make this transition, the rewards are many.

From time to time, we will also be looking for qualified instructors for staff training programs and seminars to be held in other countries. One of the keys to such assignments will be a knowledge of languages, particularly French or Spanish. TRB&S partners and staff in other countries have more than met us half way in their personal efforts to learn the English required for the conduct of business. We in the English-speaking countries are somewhat backward when it comes to other languages, and must now work twice as hard to overcome this deficiency in our capabilities.

Information

Another area in which we need the help of every partner and staff member is in maintaining up-to-date information on our international practice. We must know in the International Coordinating Office what work is being done in other countries, when significant deadlines are imposed, what visits are planned by TRB&S or client personnel, etc. The requirement that copies of all international communications be sent to the International Coordinating Office is still in effect, but, too often, we are not informed of a situation until it is too late to do anything about it. We have told all of the other firms in our group to look to this office for assistance in international matters, and we must know what is going on.

Intangibles

This final item in our list of things you and your office can do to help build our international organization has been labeled "intangibles" because these are the little things it is difficult to put your finger on. Perhaps we should call these the "Golden Rule" items, because that is essentially our advice. Treat our associates from other countries in the same manner that you would like to be treated yourself.

Those of you who have already visited other countries are familiar with the attention and respect accorded TRB&S visitors. Our associates are just as busy as we are in our own offices, but they take the time to meet us, help us and entertain us. Let's show them the same attention, interest and gracious hospitality.

We have overcome a late start to put together an exceptional group of national firms. This effort has made TRB&S one of the largest international firms. We have a firm foundation on which to build. If we all pull together, with confidence and enthusiasm, we can give the TRB&S name an international prestige second to none.