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If It's Monday, This Must Be Touche Ross

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The authors describe their experiences in taking a group of students to Europe to learn about International Business.

The next best thing to going to Europe for the fun of it is going to Europe and being able to deduct it on your tax return. Or so we thought last June, when we decided to offer an experimental course in International Business during the January 1974 intersession at the University.

Fortunately we had no idea of the work such a trip would involve, so we plunged right into it and didn't come up for air until we arrived in London in January. For anybody interested in organizing or taking such a trip, here is a short synopsis of how we planned it and what we learned.

The Planning

First of all we decided to confine the venture geographically in order to keep the transportation expenses down and yet visit as many centers of multinational corporations and international institutions as possible. That meant going to England, Belgium, the Netherlands, and

the northwestern part of West Germany and eliminating such interesting places — by international business standards — as Paris, Frankfurt, and Zurich.

Then we looked at the calendar and set the departure date for January 3, so we would arrive in London on Friday, January 4, and have all weekend to get our biological clocks adjusted to European time. We chose London for our first European stop to lessen the culture shock for students who had never been abroad, since England is less different from the States than the European continent.

A week in London, we thought, would not be too long because London is the European financial center and the headquarters of many international firms. Because Belgium has the reputation of being very expensive (which we did not find to be true), we decided to spend only two days there and to devote the rest of the second week to Holland. Because West Germany is also reputed to be expensive (which we did find to be true), we scheduled only two days in Duesseldorf before dissolving the group and letting everybody do their own thing wherever

they wanted to do it.

The next step was the selection of the firms to be visited. We decided at the very beginning that we would attract more students by offering a course in International Business rather than in International Accounting or International Management. Besides, the functional areas of accounting, finance, management, and marketing (to say nothing of economics) are so interrelated in international business that it is impossible to talk about one without getting involved in the others. As it turned out, the mixture of talks on different business functions was fortuitous and provided enough variety to keep everyone interested. Twelve days of nothing but accounting would have been dull — even for an accountant.

After we had made up a tentative list of organizations we wanted to visit, we selected the most promising way of contacting them. If one of us knew somebody in the European office we wanted to visit, we wrote directly to that person. If one of us knew somebody in an American office of a firm on our tentative schedule, we wrote or called that person. And if we

knew nobody at all, we either wrote directly to the European office or we called the American headquarters or a division near us. Being located in the East and having a WATS line were distinct advantages here.

Virtually all the people we contacted here in the States wrote to their European representatives, urging them to grant our request for a visit. Only one firm (and it shall remain nameless) never answered our letters; all others responded promptly and favorably.

Every once in a while we ran into a snag, such as we did with Polaroid, a Massachusetts-based corporation, whose world advertising headquarters is in Amsterdam. Unfortunately, all their top advertising people were scheduled to attend a conference in London during the days we planned to spend in Holland. So we substituted the Heineken Brewery for Polaroid — a decision which was very popular with our students.

Because this was the first time we conducted the course, we were afraid that not enough students would sign up if our admission standards were too restrictive. Therefore we admitted juniors, seniors, and graduate students from the School of Business Administration and one student majoring in Hotel, Restaurant and Travel Administration. The reaction of the one HRTA student was that, even though he learned a lot, he was unable to profit fully from the course since his knowledge of business subjects was somewhat deficient. Based on the participation and reaction of the other students, we have come to the conclusion that future trips should be restricted to seniors and graduate students in business.

Although we had some preliminary meetings and had prepared an extensive reading list, we found many students un-



Break during A.C. Nielsen meeting in the Amsterdam Hilton.

aware of the complexities of international business. Therefore they could not take full advantage of the opportunities offered by the course. For future trips such as this one we may give preference to students who have completed a course which focuses on the international dimensions of business operations. For example, a course in International Accounting, International Management, or International Business would fill this need. As an alternative to a prerequisite course we are considering offering several informal orientation sessions concentrating on basic international business concepts as part of the course.

In all our initial contacts with the firms we planned to visit, we stressed the educational level of our students in order to make sure that the talks would be on a technical level. All the speakers took us at our word and pitched their talks to a sophisticated level, thus making them much more interesting. Only a few talks included too much technical detail for the students not majoring in that particular

subject. By and large the level of discussion corresponded to the level of knowledge of our group.

For the travel and hotel reservations we found a local travel agent who was tearing out her hair while making out the airline tickets in December when the transatlantic fares changed every other day. The cost per student was \$530. That included all transportation expenses from Boston and back (on 22-45 day excursion tickets), as well as hotels with breakfast from January 4 to 22.

The Itinerary

Our final schedule of firm visits was as follows:

London —

- Jan. 7 — Coopers & Lybrand
- 8 — London Stock Exchange
Bank of England
- 9 — Continental Illinois National Bank
Royal Dutch Shell
- 10 — Gillette
- 11 — Ford of Europe

Brussels —

- Jan. 14 — European Economic Community
Touche Ross & Co.
- 15 — Procter & Gamble

Netherlands —

- Jan. 16 — Philips Lamp, Eindhoven
- 17 — Young & Rubicam, Amsterdam
A. C. Nielsen Co., Amsterdam
- 18 — Heineken Brewery, Amsterdam

Duesseldorf —

- Jan. 21 — Dresdner Bank
Duesseldorf Stock Exchange
Foreign Exchange Market
- Jan. 22 — Treuarbeit
McKinsey & Co.



Arrival at Duesseldorf railroad station.

The Trip

Of the many pleasant surprises we had on the trip, the first one was that the twenty-one students who assembled in the London hotel lobby on January 7, our first official day, were the same twenty-one people who had signed up for the course way back in September or October.

The second surprise came when we were greeted by Coopers & Lybrand in London and lasted throughout the trip until we said *Auf Wiedersehen* to McKinsey & Co. in Duesseldorf. We had already been pleasantly surprised by the cooperation we received from the firms while the trip was still in the planning stage. (The Dresdner Bank in Duesseldorf, for instance, found a hotel for us when the hotels there didn't answer the letters from our travel agent.) But that was nothing compared to our surprise when we actually arrived. The time and thought every firm had put into preparing for our visit exceeded our wildest expectations.

It is difficult to remember now what we did expect when we first wrote and suggested topics for discussion. But we certainly would not have been astonished if experts on the middle management level had talked to us about their work for thirty minutes or so and had then answered our questions. What we found instead were many top executives giving us extremely well prepared presentations, often with explanatory slides, charts, and film clips which were quite obviously tailor-made for the subjects of their talks. And in virtually every case we had suggested the subject — not the firm we visited. So we couldn't have gotten a talk which had been prepared some time ago for some other group and which had been taken out of the drawer and dusted off for us.

To recapitulate the contents of all the talks we had with the nineteen firms we visited would take a whole issue of this journal. So here, instead, is a short list of the ideas presented which our students found most interesting.

Coopers & Lybrand. Sir Henry Benson, partner and chairman of the International Accounting Standards Committee, told us about the formation of that committee and the work it is currently doing. The three topics in various stages of preparation, we learned, are the valuation of inventories, consolidation practices, and disclosure of accounting policies. He was hopeful that the committee would achieve its goals since the nine organizations (including the AICPA) signed an agreement "to ensure that, as soon as practicable, appropriate action is taken in respect of



Group evacuating Continental Illinois Bank after bomb scare

auditors whose audit reports do not meet the requirements" of the standards promulgated by the committee.

Of all the talks Coopers & Lybrand gave to our group, the most impressive, according to our students, was the one about their part in analyzing the feasibility of the proposed tunnel under the English Channel. A member of the C&L staff told us how they used past travel and freight patterns and interviews with Britons to develop models for projecting the usage and income of the tunnel. The presentation also illustrated how historical data were used to validate the models.

London Stock Exchange. Unfortunately we got the canned talk which is piped through the loudspeakers in the visitors' gallery and the film which is shown at regular intervals to all visitors. Both the talk and the film assumed little or no knowledge of financial and business matters on the part of the visitor, so our students found them rather elementary.

Bank of England (also known as The Old Lady of Threadneedle Street). The topic of discussion was the European Economic Community (EEC) which England joined a year ago. Our speaker was an economist who explained some of the goals of the EEC, such as mobility of labor and fixed exchange rates among the currencies of the nine member countries, and the possible consequences to the attainment of some of these goals. If, for instance, the fixed exchange rates are achieved before labor mobility is sufficiently increased, a member country could find itself with an unacceptable rate of unemployment which it might want to alleviate through

lower interest rates. But the question is whether the country's private capital will then be used for investment in capital assets or moved to another country to earn a higher rate of interest.

Continental Illinois National Bank. Arab money and its influence on the European money markets was the major topic. The discussion centered on the serious disruptions which would occur if Arab funds were withdrawn from the market. However, the bankers we talked to were confident that the Arab governments would seek sound financial advice and consequently not use their foreign exchange holdings as a political weapon.

Royal Dutch Shell. The energy crisis was, understandably, the topic of discussion. The most provocative idea presented to us was the concept of a backward-bending supply curve for Arab oil. In classical economics an increase in price leads to an increase in supply. However, this relationship may not hold for Arab oil (i. e., as the price of oil increases, its supply may decrease) due to the inability of many Arab countries to spend more money. If, for instance, the money is distributed to the citizens, their incentive to work — especially at jobs with low status and low pay — will be diminished. This would mean that foreign workers have to be imported for these jobs, and eventually the citizens might find that they are a minority in their own country. Using the money to improve the country's infrastructure also presents problems. This is due to the shortage of professional people, such as architects and engineers capable of drawing up plans, and skilled workers, such as heavy equipment operators and masons capable of executing them. In addition, it must have occurred to some Arab governments that their positions of power might be undermined if they raise the standard of living and educational level of the population.

Gillette. We had asked the company to talk about adaptations of its marketing strategies to the different markets it serves in Europe, Africa, and the Middle East. We got a fascinating account of how Gillette converts rural Africans from scratching off their whiskers with a piece of bone to shaving with a Gillette razor and blade. This conversion has to go hand in hand with the creation of a sales organization capable of functioning in countries with few roads and largely rural populations. Packaging, advertising, and displaying the product have to be done in many languages as well as conform to local habits and tastes.

We also got an insight into the difficulties of registering a U.S. trade name in

foreign countries — difficulties which sometimes force a producer to sell the same product under different names in different countries.

Ford of Europe. We heard a very interesting talk about the difficulties Ford encounters in coping with the variety of automobile safety standards existing in the nine Common Market countries and the efforts underway to create common standards for all EEC countries.

Here we also heard for the first, though not the last, time the expression "N.I.H." which stands for "Not Invented Here" and expresses the attitude of many European nationals (and Americans?) towards ideas coming from another country.

European Economic Community. The main idea in the air there (and on the front pages of many European newspapers) was Regionalization, i.e., the effort to bring less developed regions of the Common Market, such as southern Italy and portions of Great Britain, up to the level of the more industrialized regions. The big controversy is, of course, over who will pay for it and who will benefit from it and how much it is going to cost.

Touche Ross & Co. Since it was Monday, it had to be Touche Ross. We got an introduction to the *Proposed Statute for the European Company* which has been in the works for several years. Two features of this Act stand out because they depart from business practices commonly accepted in the U.S.: 1. The Act requires that employees be represented on the board of directors, and 2. it permits the use of replacement cost in financial statements — surely a radical idea for American accountants.

Procter & Gamble. As we did with Gillette, we asked Procter & Gamble to tell us about adaptations of their marketing strategies. To our surprise we found that P&G and Gillette took different approaches. Whereas Gillette tries to change people's habits, P&G accepts the habits and changes its products. As everybody in Europe knows, the only way to get laundry whiter than white is to soak it first and then to wash it in boiling water. The washing machine producers accepted this European idea and build machines with two cycles: a pre-washing cycle and a washing cycle using boiling water. Procter & Gamble, faced with these different European laundry habits and washing machines, decided to change its product formulas to accommodate the existing market.

We also got an insight into how a TV commercial changes from country to country. We were first shown an Ameri-



Mr. Logue explaining Procter & Gamble's problems with brand names.

can commercial in which a sick wife explained to her husband how he could do all the laundry using the same detergent at different water temperatures. Because European husbands wouldn't be caught dead doing the laundry, the same commercial used two women, either mother and daughter (in Germany) or twin sisters (in Italy), to get the same point across. Obviously, the women's liberation movement has a long way to go in Europe.

Philips Lamp. Our introduction to Philips was a tour of the Evoluon, a round building containing several floors of interesting electrical and sound systems. On computers programmed for inventory control and cash management our students ran out of supplies and went into bankruptcy. And the professors? No comment.

In spite of the interesting talks we heard about Philips' replacement cost system and its models for capital investment decisions, our students were most impressed by a demonstration of Philips sound equipment. As we sat in the dark auditorium and heard music coming out of

150 loudspeakers placed all around us, we felt as if we were floating in a pool of music.

Young & Rubicam. European advertising was, not surprisingly, the topic. After an orientation to the world of advertising, several facets of this complex business were discussed in detail. A presentation on marketing research confirmed the impression left by some other companies that there is no "European consumer." For most products each national market must be surveyed to obtain the background information necessary to the launching of a successful advertising campaign.

The executive telling us about market research was, incidentally, the only woman executive we met during our entire trip. Judging by the answers we received to our questions regarding women in executive positions and by the impressions we got during the visits, the proportion of women in upper and middle management positions is even smaller in Europe than it is in the States. However, the fact that our group of students was directed by two women professors was accepted without any noticeable astonishment. Only a few times was our being women mentioned and that was invariably during a coffee or lunch break, when we were asked whether there are a lot of women professors teaching in American business schools.

At Young & Rubicam we also became aware of the many media, particularly in Holland, which are available for carrying advertising messages. One stark contrast to practice in the States is that advertisers have to buy time for TV commercials from the government a year in advance. The time of day when a particular commercial is shown and the commercials preceding and following it are all determined by the government, not the advertiser.



Mr. Trappeniers and Mr. Morris of EEC discussing Common Market policies.



Mr. Gwilliam and the authors outside the Continental Illinois Bank during the bomb scare.

A.C. Nielsen & Co. Instead of hearing about the famous Nielsen ratings for TV programs, we wanted to learn about the less well-known Nielsen market penetration surveys. We got an insight into the supermarket business in Europe and the difficulties of obtaining comparable data from different countries. This led to a discussion of the impossibility of determining market shares for products by countries given the fact that people living in border areas will shop on both sides of the border depending on price differences.

Heineken Brewery. Burp!

Dresdner Bank. Besides showing us their own facilities, the Dresdner Bank people took us to the Duesseldorf stock exchange and the foreign exchange market which, unfortunately, was closed that day due to France's decision of January 18 to float the franc. Although the Duesseldorf stock ex-

change is much smaller than either the New York or London exchanges, the full impact of the noise — because there is no glass wall separating the floor from the spectators' gallery — added an interesting dimension to the total composition of a stock exchange.

It is difficult to give a short account of the many fascinating discussions we had with the people from the Dresdner Bank. Some of our students were most intrigued by the fact that all stock market trading in Germany is done by the banks. Others listened spellbound to the story of how German banks and corporations reconstructed their stockholder and bondholder registers after the collapse of the Third Reich in 1945. And still others were fascinated by the present and future balance of payments implications of the millions of foreigners working in Germany.

Treuarbeit. This, the largest German public accounting firm, is a corporation whose stock is owned entirely by the Bonn government — a fact which caused raised eyebrows among our accounting students. The rest of the eyebrows went up when we found out that the English translation of the company's name is "Faithful Work." It also caused one student to mutter: "There must be some reason why we have Ma Bell, the English have the Old Lady of Threadneedle Street, and the Germans have Faithful Work."

An executive of Treuarbeit explained to us the German Company Act which prescribes in minute detail both the form and content of the financial statements. He had also brought along the commentary to consult if you don't understand the law and the commentary to consult if you don't understand the commentary. After that we got into a lively discussion of generally accepted accounting principles versus accepted accounting principles codified in a Company Act and demonstrated that accountants, too, view with scepticism any idea that was "not invented here."

McKinsey & Co. We heard a fascinating talk about financial model building. One very complicated, though highly simplified, model was set up to determine which of three companies (a parent and two subsidiaries) should borrow money given the existing interest rates, corporate income tax rates, government restrictions on money movements, floating exchange rates, and taxes on inter-company interest payments. We decided that only a computer could solve that kind of problem.



Mr. Van Haren Noman reviews operations of Young & Rubicam.



Philips Evoluon in Eindhoven, Holland.

Conclusion

Aside from the interesting facts and ideas enumerated above, we also got answers to questions which are, strictly speaking, not related to the course content. For instance:

Who is the most frigid woman in England? The Old Lady of Threadneedle Street, because she lives in an imposing building with marble walls three feet thick and no heat in January.

How much can a cup of hot tea raise the body's temperature? More than the central heating of a London hotel which is short on oil.

What happens when the hot water faucet in the same London hotel spouts only icy cold water? Water consumption goes down, deodorant consumption goes up.

Why should you visit Gillette when you are in England during the energy crisis? Because you get a free sample of deodorant.

How fast can the Continental Illinois Bank building in London be vacated in case of a bomb scare? Pretty damn fast.

How can American Express change dollars for British pounds without electricity? By candle light.

What does the band play for the changing of the guard at Buckingham Palace? The Stars and Stripes Forever.

How many people were in the Brussels airport at 1:18 p.m. on Sunday, January 13, 1974? 5 immigration officials, 10 customs inspectors, 100 soldiers with sub-machine guns — and 23 totally intimidated Americans.

How many ways are there of cooking

mussels in Brussels? At least 60.

How long does it take to ask a Belgian streetcar conductor in high school French whether one is going in the right direction? Two stops in the wrong direction.

What happens when Touche Ross invites you for a simple buffet luncheon? If it's Monday, you gain five pounds.

How wide is a chartered Belgian bus? Wider than a canal street in Amsterdam.

What is the question most frequently asked by students on this trip? Can I write my paper on the marketing strategies used in the Red Light District of Amsterdam?

What is the answer to the question most frequently asked by students on this trip? No.

What happens when you start the day with freshly-brewed Heineken beer? You continue at the nearest bar until London fog descends on Amsterdam and hides the awful hangover.

What is a semi metro? A Belgian Strassenbahn.

What is a Strassenbahn? A German streetcar.

What happens when a German discussion leader thinks his English isn't good enough for a technical session? You're damn glad you've got a professor along who thinks her German is good enough to act as an interpreter.

What happens if she makes a mistake? Who's gonna know the difference?

How does it feel to walk through foreign cities followed by twenty-one students walking single file? Ask the Pied Piper of Hamelin.

And what happens if you don't change



Two attentive students at Touche Ross & Co.

your dollars today? The rate goes down.

And, finally, what happens when you offer an experimental course in International Business and it turns out to be an unqualified success? You prepare a course proposal (in zillions of copies), get it approved by all the right committees (zillions of them), and then offer the trip as a regular course for students. And if all goes well, you make it available for women accountants whose appetite got whetted by this description.

The pictures accompanying this article were taken by Paul Frucci and Wayne Woodruff, students participating in the course.



Lunch at Ford of Europe.