

WHITE PAPER

**THE COMPETITIVENESS OF HONG KONG & ASIAN
ACCOUNTING FIRMS**

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The Competitiveness of Hong Kong and Asian Accounting Firms

The South China Morning Post reported recently that the Hong Kong Institute of Certified Public Accountants will provide a rebate on membership fees to aid its member firms during the economic downturn. I certainly condone this act as a sign of good faith but it is rather like putting a band aid over a broken dam, short term cost cutting measures will not solve the fundamental problem that accounting firms are facing: a lack of competitiveness and strategic know how.

The current financial crisis has shown a major weakness in many professional service firms. That weakness relates to a lack of long term thinking and strategic practice in what they do. Such firms are oblivious to modern strategy, marketing, and leadership practice during good times because when the market is growing at 10% per annum, they basically drift along riding the coat tails of a strong economy. Poor choice of clients and service markets has left small and mid sized firms in particular struggling to cope with a new and more challenging business environment.

The objectives of this white paper are several:

- To identify the key drivers of value for clients and accounting firms
- To highlight the importance of strategic thinking and marketing
- To identify alternative strategies for success
- To provide small and medium sized accounting firms specific insight to improve their business
- To provide a road map to strategic management and marketing success within the accounting firm

This white paper is not meant to cover every aspect of management that may contribute to accounting firm performance but rather cover the key concepts of strategic management and marketing that from a birds eye view are the major factors that affect firm performance. After reading this paper, you should:

- Gain a new perspective on the contribution of modern practice management to firm success
- Gain new insight into broad strategies that enhance performance
- Understand the role of marketing as the major strategy contributor to firm performance as opposed to an ineffective promotional tool
- Re think firm performance and firm leadership

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Hong Kong Institute of Certified Public Accountants (HKICPA)

I applaud the HKICPA in spending over HK\$25m to help local firms through the current crisis but in my opinion, this is money spent in the wrong place. Additionally, the HKICPA continue to spend money on advertising that provides little tangible benefit to its member firms. The institute must address the problem at its root cause which is the lack of practice management expertise that Hong Kong CPA firms have. CPA firm know how when it comes to marketing strategy and leadership is many years behind their counterparts in the West and it is this that the HKICPA should be addressing. Short term cash saving measures are fine but it is the long term systemic effects on competitiveness that the institute should be concerned about. I often find substantial irony in the fact that CPA firms offer business consulting services (such as business planning) to their clients when in fact they do not know how to address simple issues in strategic planning to their own firm.

The HKICPA must start to address the competitiveness of these firms through education and training that focuses on the unique needs of professional service firms (PSF). Generic programmes in negotiation skills etc are not going to help. They need service providers who have a deep understanding of the PSF and how strategy and marketing concepts apply within this context. Using examples from consumer goods is not going to help these firms improve their competitive context.

The HKICPA must follow the example of the AICPA and provide dedicated practice management resources to its member firms such as articles, a journal, on line training, and forums. These practice management resources must cover all aspects of strategy, marketing, and leadership that is contextually relevant to accounting firms operating in the Asia region.

Strategic Management and Strategic Marketing – time for understanding

There is wide scale confusion among firms in the accounting profession as to what strategic management concepts have to do with their firm. For example, many accounting firms still believe marketing to be about promotion and they don't feel that promotion such as advertising is very effective for building business. Accountants who feel like this are absolutely right!

Marketing, in its truest sense, has nothing to do with promotion. Marketing is a mind set and firm culture that recognizes client value and market focus is the key to success. Research is unequivocal, professional service firms that outperform their peers are:

- Client focused
- Innovative
- Understand their client industries
- Systematically collecting information about the market and using it for decision making
- Demanding of their professionals and support staff in sharing information across the firm
- Communicating clear values and beliefs across the firm that are lived and breathed by seniors and juniors
- Aware of what their competitors are doing
- Using knowledge to continually enhance the firms capabilities
- Thinking about the medium to long term

Strategy is actually quite simple. Think about what markets to serve with what services, and how to deliver value in those markets that won't be easy for your competitors to follow. Everything else is supposed to follow on from there: hiring the right people, building client relationship management systems, creating plans that address the short, medium and long term, and continually enhancing the firms skill set and capabilities to serve your clients and stay ahead of the competition.

In reality, it is much more difficult than that. Implementation is more than half the battle when it comes to strategy. When senior partners in the firm don't recognize the value of a marketing culture and dogmatically refuse to innovate then no amount of strategic planning will help your firm. Changing the mind set of professionals so that marketing is viewed as a strategic weapon that is the bed rock of firm performance is the only way that a viable strategy can be implemented. Targeting new clients or industries with your existing value systems and beliefs will lead to much frustration and wasted resources.

Think about it like this: what do clients really want?

- Responsive firm
- Professionals that speak in simple terms and show empathy
- Firms that understand their business and industry
- Firms that add value to what they do
- Firms that are reliable
- Firms that are flexible
- Firms that offer services which are of real benefit
- Quality work and service
- Firms that show interest in them without always looking for fees
- Regular and unprompted communication

Whilst this list seems simple enough, indeed simply intuitive, achieving these outcomes is not easy. There are certain natural occurrences in accountancy firms that stop them providing real value to clients, these are:

- Hourly billing that does not recognize value and creates conflict of interest between client and firm
- Focus on billable time and utilization rates
- Associates trained in technical skills but not in management
- Professionals with high IQ and little EQ
- Firm structure that inhibits cross functional sharing of information
- Professionals with little formal business training
- Senior partners with high resistance to alternative ways of working
- Fixation on practice areas as opposed to client problems
- Focus on cross selling without understanding client needs
- Lack of understanding of marketing techniques such as research, segmentation etc

What this points to is a need for culture change within the firm as a prerequisite to achieving high performance. Firm leaders must recognize that a firm and the way it works is often a reflection of themselves. Leaders who say one thing and do another are living by the values they declare and this has a negative impact on firm performance. Research in the professional services field shows a clear link between firm values, job satisfaction, and financial performance. For this to be a reality in your firm, you must align the internal structure, systems, and processes of the firm so they are all aimed at achieving differentiation and client value.

We call this culture a market orientation (nothing to do with marketing as perceived by 99% of professionals). A market oriented firm is one that understands clients, markets and itself in order to coordinate information sharing across the firm that leads to client value that is very hard for other firms to copy. It is the soft systems of communication and tacit knowledge will hold the key to success but that key cannot open any doors until firm leaders are ready to adopt change seriously and on a firm wide basis.

Globalization

As China becomes a more dominant player in the world market, the potential for accounting firms to provide services on a transnational basis will continue to increase. Emerging markets in Asia and elsewhere are proving attractive markets for organizations from developed nations as well as those expanding in and out of emerging economies. Certainly, the Big 4 dominate the audit market for multinational firms and other large organizations but there is substantial scope for Asian accounting firms to provide services to other organizations and in niche areas. This is not just a matter of getting new clients, it is an imperative to keep existing ones. For example, SMEs in Asia dominate the private sector in terms of firm numbers and employment and such organizations have continued

to expand their operations to overseas markets through exporting, licensing, and the setting up of foreign operations. On a domestic level, many accounting firms are well positioned to serve this market. On an international basis, they are not. Research by Arfah Salleh and colleagues at the Graduate School of Management (University Putra, Malaysia) examined the readiness of local Malaysian firms for the impact of globalizing trends and clients. They found that only 28 member firms of the Malaysia Institute of Accountants (MIA) had international affiliation, additionally, the authors found:

- Having international affiliation better positions a firm to offer multi services
- Offering new services and having international affiliation are significant factors in investment in IT

The researchers concluded that firm size or age did not have an impact on these factors and hence they would be just as important to small and mid sized firms as they would be for larger firms. Innovation in services and service delivery has a significant impact on firm performance. SME accounting firms need to take a strategic audit of their existing clients and firm direction in order to ascertain whether some sort of international expansion effort is warranted and how they should go about it (i.e. arms length agreements, strategic alliances, firm mergers).

The Chinese Institute of Certified Public Accountants (CICPA) has been pushing its member firms to keep abreast of Chinese firm internationalization and be ready to provide services on an international basis to these organizations. The CICPA believes that growth through mergers is one of the key ways Chinese accounting firms can become more competitive. Certainly, accounting firms in Hong Kong are well positioned to take advantage of such a trend since they have key advantages in terms of international work quality exposure and more advanced management techniques compared to their mainland counterparts. Other Asian accounting firms in developed nations would also be able to benefit from the increased trade between China and the rest of the world. ShineWing CPA (one of the larger CPA firms in China) has followed this direction and merged with local firm Ho & Ho in 2005. Although not the only way to go, alliances can provide an effective means to offering transnational services to clients.

Strategic Alliances and Mergers

The fact that over 90% of Hong Kong accounting firms are SMEs it is common for these firms to engage in some sort of collaboration to compete with some of the larger firms in the market. Consolidation in places like China is not uncommon as the Big4 continue to dominate the business landscape for audit and ancillary services. In February 2010, the Committee to Develop the Accountancy Sector (CDAS) in Singapore stated that mergers would be one of the key ways small and medium sized practices could boost

competitiveness. Whether this is correct remains to be seen as mergers are fraught with difficulties.

Strategic alliances are cooperative agreements between firms that maybe formal or informal, and may or may not involve equity. Alliances can be a relatively low cost and flexible way for firms to enhance their competitiveness in a number of ways:

- Increase geographic coverage for clients
- Increase scope of services
- Enhance reputation by being aligned with well known networks or firms
- Enhance the learning and capabilities of the firm over time

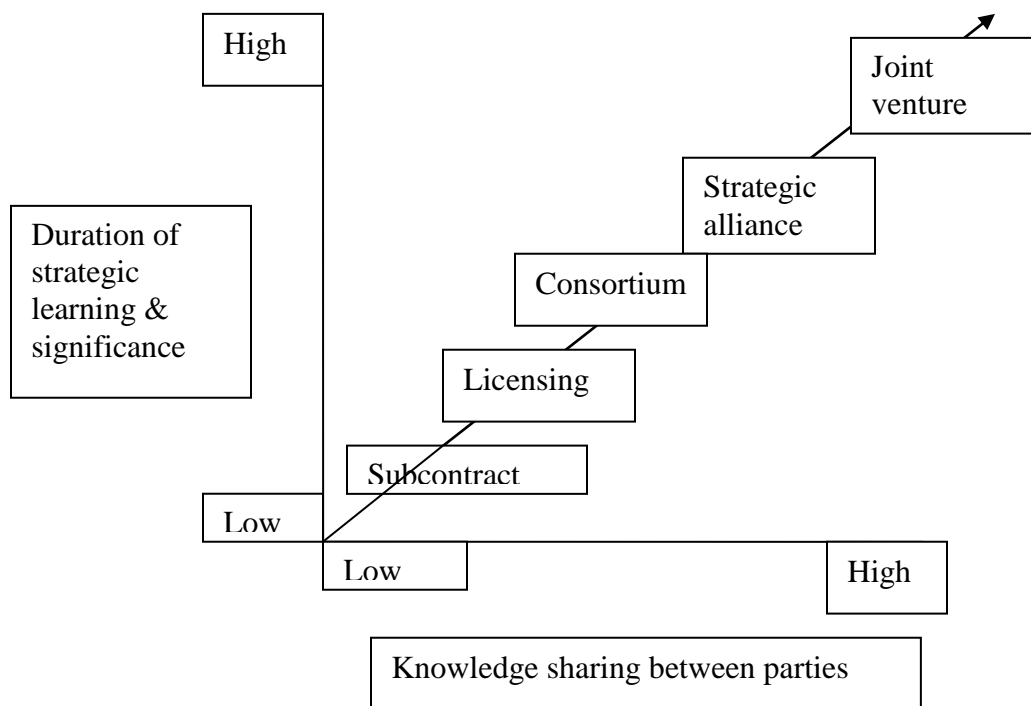


Fig.1 Collaboration Forms for the CPA Firm

(Source: Sawhney, R. (2009) Marketing Professional Services in Asia, Lexis Nexis Publishing, Singapore).

Alliances should not be entered into lightly. Research suggests up to 50% of alliances fail. In an article published in the MIT Sloan Management Review (2008), Bettina Buchel highlights a number of minefields that can impair alliance performance. These include unclear partner roles, unequal sharing of risks and benefits, not being prepared for the inevitable crisis, and no formal exit mechanisms.

Similarly, Patricia Anslinger and Justin Jenk (consultants at Accenture) suggest six key factors to enhancing alliance success chances:

- (1) develop clear, common objectives and definition of success;
- (2) ensure proper alliance form;
- (3) determine appropriate governance model with clear decision-making;
- (4) anticipate the most likely conflicts;
- (5) plan for evolution; and
- (6) establish clear metrics to track and measure success.

What these factors suggest, and indeed what research shows, is that a marketing mind set is crucial to the outcome of an alliance. Being client and market focused must be part of your thinking especially considering recent research that demonstrates social capital is not a good indicator of firm performance from an internationalization perspective (that is, following your clients as the main basis of your decision does not produce optimal outcomes). Another factor that firms must consider is the impact of national culture on the success of an alliance. Asian cultures tend to be collectivist and as such maintaining harmony and building relationships is center to the economic ideologies of such cultures. Many Western nations exhibit cultural characteristics that are opposite to that of Asia. For example, the US and UK are described as individualistic cultures and tend to consider alliances from a transaction cost perspective. This type of difference can cause fundamental conflicts between parties when one expects quick returns and the other is intent on capability building.

If you assign people from either firm to regularly interact it might be worthwhile looking at choosing people who are from similar national cultural backgrounds. If the relationship is closer (joint venture, merger), then the firm leaders and their goals will have a major impact on the outcomes, and hence finding partners with compatible goals and beliefs becomes even more important.

Mergers

Mergers go beyond strategic alliances in that the two firms involved merge in all aspects of finances, systems, and firm culture. This can be a real challenge and integrating two firms of divergent backgrounds and culture is time consuming, with no guarantee of success. Mergers and acquisitions differ technically in that mergers are the coming together of two firms to create a new entity with a new name. An acquisition is where one firm subsumes another. From a strategy perspective, we can consider them as identical.

The rationale for mergers includes:

- Benefit from access to skills, knowledge, and clients
- Expand geographic coverage
- Economies of scale and scope (questionable)
- Synergy in firms service's and industries served
- Speed of capability development

The driver of mergers tends to be the need for growth and the trends in the external environment such as globalization. The CICPA in China has been making a strong case for local CPA firms to consolidate to become more competitive in terms of facing the Big 4 as well as being attractive to the continued expansion of local Chinese organizations throughout the rest of Asia and the world. Whilst there is little doubt that size can be a strong indicator of service quality to clients in Asia whereby it is used as a proxy measure of what value a firm can deliver, the success rates of mergers are fairly low, especially when considering the initial strategic intent such as access to additional capabilities, financial objectives, and economies of scale.

Before engaging the steps towards a merger, ask yourself these questions:

1. Is their strategic value in the merger, for example will we be able to access new markets
2. Are we doing it primarily for cost saving, if so there maybe better ways
3. What plan do we have to successfully integrate the two firms
4. Are our firms compatible in terms of objectives, leadership, and culture
5. Will there be a win win outcome for both firms
6. Who in the firm will leave or lose out due to the merger, are they agreeable and is that what we want
7. Are we ready for the change and how long it will take
8. Will this move benefit existing and new clients

Joel Sinkin and Terrence Putney published an article in the March 2009 issue of the Journal of Accountancy that addressed the problems faced by accountancy firm mergers. They highlight the ten biggest reasons mergers fail:

*1. **Ego.** Normally this is manifested in unwillingness on the part of the partners in both firms to adapt to the new way of doing things required to make a merger work. Even in the case of a much smaller firm merging into a larger one, there should be some give on both sides to allow for the formation of a cohesive and motivated team.*

*2. **Firm name.** The surviving name should be worked out before the merger is completed and a strategy developed for how the name change will be communicated to the market, which is a critical part of the process. There are many hybrid methods such as creating a bridge entity, using the predecessor firm's name as a byline in the letterhead, forming a new name combined from both names, and adopting a generic name.*

3. **Culture.** While the larger firm's culture usually primarily survives, adopting features of both firms' cultures will normally lead to a better environment after the merger.

4. **Change.** Instituting change slowly wherever possible will lead to less impact on clients and staff and can help maximize the retention of both types of constituents. Mergers without high levels of staff and client retention often are not successful.

5. **Inadequate capacity.** In mergers where some partners may soon be leaving due to retirement or succession, or where there is planned staff attrition, professionals need to be replaced soon after the merger is effective. If the successor firm lacks the existing excess capacity to handle the new requirements, and fails to execute on its plan to acquire new resources, in most cases the deal will eventually fail.

6. **Staff transition.** Staff are accustomed to their roles, the expectations the firm has for them, compensation level and methods, and perks and benefits. Maintaining the status quo for staff wherever possible will reduce the stress that change places on them and lead to higher acceptance and retention.

7. **Technology.** Normally, for a merged firm to start operating efficiently, technology platforms have to be brought into conformity. However, a failure to invest adequate resources in upgrades, conversions and training can lead to poor execution of the technology transition, causing frustration and, in the end, higher costs.

8. **Poor transition planning.** All aspects of the operational transition must be thought out in advance. Otherwise, inadequate resources will be devoted to the execution, and the staging can be off, causing additional stress on the staff and clients.

9. **Impatience.** Some changes need to be introduced immediately; some things can wait. For example, the time and billing system is normally a core management tool and must be adopted immediately whereas certain client service systems (such as write-up software or even tax prep software) can be phased in, especially after seasonally busy times of the year. Not forcing change for its own sake can lead to better acceptance and execution.

10. **Communication.** Management teams that fail to fully communicate to the combined team the rationale for the transition plan, what is expected, and how to obtain help when it is needed may find people not executing the plan and resentment building.

Aside from this are also certain value destructors in merger outcomes. Aside from deal value, the major one would be costs of implementation. Issues related to cultural integration, IT, human resources, and financial systems can have a major impact on the effectiveness of the new entity. In particular, poorly thought out post integration activity can have a major impact on employee morale and since job satisfaction and firm performance are strongly correlated this can be extremely detrimental to the future performance of the firm.

Value Pricing: the death of billable hours

The billable hour is the curse of the professional services industry. Charging by the hour links pricing to time when value may have nothing to do with time. It also limits your ability to earn more money since there is a limit to how much you can charge per hour, utilization rates, and in the hours in the day! There are further problems with the billable hour identified by associations such as the AICPA, MAP, and the ABA, these include:

- Conflict of interest between client and firm
- Negative effects on staff satisfaction
- Nothing to do with value firm offers
- Makes firm services into commodities
- Limits the ability and incentive of firms to innovate
- Effects work on non billable activities that raise profile of firm
- Impacts culture and collegiality of firm
- Fails to promote risk/benefit analysis
- Creates itemized bills that do not reflect value
- Does not encourage project planning
- Fails to discourage layering and duplication
- Penalizes productive accountants

The list could go on but in the West, and to a lesser degree in Asia, firms are starting to recognize the benefit of alternative billing methods based on value. In the main, it is clients who are pushing these changes although the key challenge facing accountancy firms in Hong Kong and Asia is the lack of knowledge of alternative billing on behalf of both the accountant and the client.

Value pricing is nothing new and it has been applied in numerous business sectors. In other words, instead of deciding price by calculating the number of hours needed to complete a job or arbitrary hourly rates, one should base pricing on the value created and delivered for the client. However, to do so means that the PSF must be able to deliver value that is perceived by the client as both meaningful and differentiated from other professional service providers. This comes back to the idea of realization rates and the concomitant area of partner compensation. If one believes that their compensation is based upon the old model of revenue, it is unlikely that you would spend time on non-billable activities even though it is these times that are the lifeblood of creativity and innovation.

One of the keys to value pricing is the understanding of what value means to clients. There are in fact many types of value and clients in different situations will value different things. For example, during turnaround and insolvency work, clients will be more concerned about the speed of services and the outcomes. Such an example shows

the fundamental problem when pricing by the hour. In other situations, the client may ask for auditing work across several offices and will be concerned about the accuracy and attention to detail of the firm. Different types of value are depicted in the figure below.

Table 1 Value Criteria in B2B Professional Services

During

Technical Quality

Reliability (budget/schedule)
Information understandability
Information practicality
Technical expertise
Specialized expertise
Creativity

Functional Quality

Integrity
Responsiveness
Professionalism

Relational Variables

Partnership
Involvement
Confidence

Image

Reputation
Credibility

After

Financial

Cost reductions
Revenues
Profitability

Strategic

Better decisions
More enlightened decisions

(Source: Adapted from Lapierre, J (1997) What Does Value Mean in Business to Business Professional Services? International Journal of Service Industry Management, Vol. 8, No 5 pp.377-397)

Table 1 demonstrates two types of quality that exist in professional service firms. The first type is the technical quality of the firms work. The second type is the relationship quality, known as functional quality. One may view these on some level as IQ and EQ. as the service provider, the accounting firm will need to recognize what are the key value drivers of the clients it is dealing with and make sure it communicates clearly how the firm can fulfill the client's needs in those areas. There will be some situations where the client and firm are not a good fit and it may be wise for the firm to let this client go and focus its resources on clients it stands a better chance of serving more adequately. Spending time on serving clients who are not a good fit can be wasteful since resources

tied up by serving those clients will prevent the firm building relationships with more valuable clients. Additionally, clients which are not a good fit are less likely to be satisfied and will easily switch between service providers.

There are a number of value based pricing methods that have been expounded by various authors, these include:

- Fixed price agreements (FPA) – the bundling together of services say over a time period or matter with unlimited access to service provider
- Change order – these are put in place when additional service needs arise that are not covered in the original FPA and services rendered here are charged separately
- Service guarantees – perhaps worrying but some PSF are offering money back guarantees based on client satisfaction at the discretion of the client
- Risk based – sharing in the savings/revenue generated for clients or the size of a transaction
- Discounted rates for guaranteed volume of work
- Task based – set fee for each task such as filing a motion, deposition etc
- Discount rate plus kicker – agreed hourly rate plus performance based pay
- Annual retainers
- Buy in follow on – offering low prices on initial engagement for the promise of future purchase of linked services or ancillary services

In reality, these approaches can be summarized under 2 major headings identified by Leonard Berry and Manjit Yadav in the Sloan Management Review (1996):

Pricing strategies to reduce uncertainty – these include service guarantees, benefit driven pricing, and fixed price agreements. The idea is that where clients are unsure of the service or situation facing them the service provider can reduce this anxiety by providing up front fee schedules or sharing in the outcome success of a project.

Relationship pricing – such as discounted rates for large volumes of work or buy in follow on approach. Building long term relationships with the right kinds of client can be beneficial for both the client and the service provider.

The firm of the future will be one that recognizes this before its competitors and devises ways to enhance its value offering to clients. Those firms that wait until either everyone else has done it or clients absolutely demand it will be the ones facing a tunnel with little light at the end. Value pricing is only a small part of the jigsaw, the whole picture revolves around whether the practicing professional can understand and adopt a marketing culture that will allow the firm to head on the road to such concepts as value pricing.

Firm Culture and Governance

There have been a number of cases recently of well known accounting firms that seem to value revenue generation over the quality and integrity of their service. Whilst accounting firms must deliver value to their clients they have a duty to serve society as a whole and maintain some degree of independence.

Firms that want to avoid the ignominy of such occurrences must ensure they have the right culture in place. Much evidence points to the influence of the firm's leaders and partners as it is their actions that influence every one's behavior and dictates the focus on revenue or quality. Changes in the regulatory environment will mean that accounting firms will have to take issues of culture very seriously and indeed a marketing culture fits very well with these ideas. One must be very careful in the accounting profession not to become too overtly commercial as the independency of audit work as opposed to other services puts a high onus on firms assuming a professional orientation. In the long run, a professional orientation and a market orientation are well aligned because a market orientation discounts short term revenue generating activities that could put the firm's long term reputation and image at risk. For example, research in the Western world has shown that auditors are more likely to accept risky client assignments if they believe it would lead to further work. This risk affects the independence of the audit function and can be subject to punishment by various regulatory bodies.

Culture has been described in various ways. Essentially it is a collective programming of the mind that lies in the shared beliefs, values, and assumptions held by firm members. These shared values are reflected in all aspects of people's behavior in the firm such as in the way seniors and juniors interact, the way people dress, and in the norms of communication among firm members. Culture and firm performance are heavily intertwined. For instance, firm values and individual values that are closely aligned have an impact on job satisfaction and job satisfaction is strongly correlated to firm performance. Additionally, research by David Maister in the professional services industry (presented in his book, *Practice What You Preach*), showed that firms which communicate strong values and live by them performed better financially than their peers. Firms with strong cultural values should make significant efforts to acculturate new employees to ensure that ethical and professional standards of behavior are followed. Problems in acculturation can be exacerbated by the hiring of non professionals into firms, mergers, as well as geographic expansion that brings into play the additional variable of national culture and behavior. Non professionals such as 'professional managers' can exert considerable influence on firms in terms of a profit focus and care must be taken not to lose the professional orientation of the firm.

In a paper published in *Behavioural Research in Accounting* by Jenkins et al (2008), the authors set out a number of areas whereby culture can impact a firm's governance and the role that seniors within the firm play through their behavior such as mentoring, client

interactions, communication, and social influence. They highlight a number of studies and situations whereby firms have engaged in unethical actions (lowered audit quality) due to the cultural conditions of the firm. The authors also go onto discuss a number of actions that firms can take to limit this overtly risky behavior and ensure a higher level of firm governance. Readers are referred to this paper for a substantial overview of the area.

How does a market orientation (MO) fit into this concept of firm culture and governance? As mentioned previously, a market orientation is a culture and set of behaviours that focuses on three issues and has been shown to have the most significant impact on firm performance:

1. Competitor orientation
2. Client orientation
3. Inter-functional communication

Firms can measure their MO with the following inventory:

Competitor orientation

We regularly analyse our competitors' marketing programs
We regularly share information within our firm concerning competitors' strategies
We rapidly respond to competitors' actions that threaten us
Top management regularly discusses competitors' strategies
We target customers where we have an opportunity for competitive advantage
We frequently collect information on our competitors to help direct our marketing plans

Inter-functional coordination

We coordinate goals and objectives across all functions
All functions are integrated in serving the needs of our target market
Market information is shared with all functions
Management understands how everyone in this organisation can contribute to create customer value
We share resources with other practices and functions

Customer orientation

The organisation constantly monitors the level of employee commitment to serving customers' needs
Our strategies are driven by the need to create customer value
We believe that understanding customers need gives us a competitive advantage
The objectives of our organisation are driven by the need to achieve high customer satisfaction

When looking at this inventory, there are a number of points to consider in terms of MO relationship to firm culture and governance as well as a professional orientation.

Specifically, the inter functional coordination element highlights the need for communication across all functions of the firm. Firm leaders can use this concept to instill the ethical values the firm wishes to propagate. Additionally, the elements of customer and competitor orientation ensure the firm is deploying its resources in the right place and puts client value at the top of the agenda. The positive thing about MO is it does not focus on short term revenue generating activities that could put the firm at risk due to poor decision making. It is a strategic view of the firm's value creating activities. Firm leaders can use this to strategy tool to work towards a culture that balances the commercial necessities of the business with the professional orientation that is demanded by society and regulatory bodies.

Conclusion

Accounting firms in Hong Kong and Asia will continue to face unprecedented challenge. As countries encourage free trade and professional service markets gradually lower barriers to entry, the competitive context facing accounting firms in the region will change. Demanding clients and foreign firms will elevate the bar for quality accounting services to the point whereby local firms will have to adapt or perish. Short term cost cutting is only that, a short term measure to save money. For firms to prosper over the medium to long term, they will need to adopt a new mind set where strategy and leadership sits atop the most pressing issues of the firm. It will be the most senior partners and executives of these firms who must recognize this and lead the call to action.

About SRC Associates Ltd (www.srchk.com)

SRC Associates Ltd is a pioneering Hong Kong based firm that works with law, accountancy, and other professional service firms throughout Asia on their strategy, marketing and leadership issues. We work with firm leaders on their most critical business issues and help them work towards solutions that improve their competitiveness.

Founded in 2000, SRC has helped dozens of accountancy firms throughout Asia and elsewhere achieve their strategic objectives. With a network of offices in over 50 countries and key strategic alliances with leading professional service firm consultants, we are able to help our clients on a truly transnational basis.

Our services include:

Strategic management and marketing:

- Strategy and marketing audit
- Internationalization services
- Strategic planning, strategy development, and implementation
- Client and market research
- Thought leadership strategy and development
- Service market, segmentation and client targeting
- Strategic differentiation
- Branding and positioning
- Value pricing implementation
- Marketing programme development and implementation

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- Leadership training
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- Guidance on firm structure and culture
- Leadership and motivation of juniors/associates
- Staff satisfaction surveys and research
- Client satisfaction surveys and research
- Performance management guidance and systems

We provide these services through consulting engagements, workshops, retreats, coaching, and in house meeting facilitation. Contact Robert Sawhney for more details: bob@srchk.com, (852) 28921121.