

The pull from China:

myths & realities

For some time now you only had to mention staffing to senior accountants to watch them raise their eyes and sigh deeply. Their anecdotal assertions of employee shortages are now being borne out by the results of the *CPA Survey 2005*, commissioned by the Hong Kong Institute of CPAs. In one of its main findings, 44 percent of accountants in practice said there simply are not enough accountants in Hong Kong. Of these same respondents, 49 percent placed the blame firmly on one factor: a pull from the Mainland.

There's been a lot of talk over the past decade over the form this pull takes, about how accountants who did not embrace China would find themselves left behind, and why you need to move fast to get in to the market. Balancing this are the regulatory realities: the first two phases of the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and mainland China have had little to offer Hong Kong accounting practices wanting to set up in the mainland market.

To get a truer picture, *A Plus* talked to Hong Kong accountants who are involved with China – some who travel there regularly, others who have relocated – to find out some of the myths and realities surrounding the economic behemoth over the border.



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► *CPAs in China*

- Two thirds of practising accountants are currently involved in China-related work.
- Three quarters of them say this workload has increased in the last five years: 84 percent expect it to increase in the next five years.
- Nearly half of those surveyed travel to China for work.
- One quarter go to China at least once a week. 69 percent go at least four times a year.

LOCAL AND GLOBAL

Not surprisingly, the interviewees all speak of the huge demand for professional accounting services in China. More interesting was how they are solving this. Alice Law is general manager at Grant Thornton Consulting (Shanghai) Ltd. She knows the market well, having spent seven years travelling up to Beijing before finally relocating to Shanghai four years ago. She says that firms' greatest demand is for accountants with three to five years' experience. At the moment, this is met by a combination of local and Hong Kong staff – one in five of the Shanghai office staff is on secondment from Hong Kong. "Hong Kong staff provide local employees with on-the-job training. In the short term, we need the experience Hong Kong

accountants can bring," Law explains.

In the long run, however, the firm's emphasis is on training local staff and localising their China practices. This is a common theme and one which Catherine Yen, human resources partner at Ernst & Young, echoes. "We have a good supply of Chinese graduates, but we need to make sure that we have sufficient staff at all levels in the future," she says. "In the long term, we hope to expand our pool of accounting professionals to cater for attrition."

In the past, Ernst & Young supplemented its China staffing with people from its Hong Kong office. However, Yen says this trend has changed over the past few years as the firm has taken advantage of an expanding pool of local graduates and regional professionals' desire for greater



mobility. "We have brought in Putonghua speakers from our offices in Taiwan, Singapore and Malaysia," she says. "They like to get exposure to the China market and are happy to spend a couple of years on a placement."

In the business arena, Frank Ng, CFO of China Internet Play Our Game Limited, says his biggest need is for local staff with international experience. "Everyone wants these people," he points out. "Most local accounting staff don't know anything about international standards. Our company has foreign shareholders, so we have to use international GAAP in our reporting."

LANGUAGE AND CULTURE

Ng moved to Beijing after stints with CPA firms in the United States and Hong Kong.

But he's not relying on Hong Kong CPAs to tackle the skills shortfall. International skills are important, but people must also have local tax knowledge and good Putonghua. These are areas where he thinks Hong Kong staff are lacking. "They need to be able to blend into the local groove," he says. "Hong Kong staff tend to stick together in a small group and don't mingle."

William Gee, partner in global risk management solutions with PricewaterhouseCoopers, agrees that Hong Kong staff's Putonghua skills are often poor. But he also thinks integration is about more than language. "The bigger issue is being able to understand the local culture and way of doing things. In the short term, Hong Kong staff are being used on China engagements, but in the

► *Linguistic talents*



When he applied for a job with Moores Rowland Mazars as an undergraduate, Paul She (pictured) knew from the start that China work was involved. "Most firms interviewed in English: at Moore Rowland Mazars all interviews were conducted in Putonghua," he says. Now a senior associate with the firm with three years' practical experience and his CPA QP exams under his belt, She spends around 70 percent of his time on China assignments and an average of four months a year in the PRC, a proportion he says is similar for his colleagues.

While She is not thinking of relocating permanently, he recently applied for a two-year secondment to Beijing. It's an opportunity to better understand the Mainland's tax and business environment. "When I first went to China I asked a lot of things that are normal in the Hong Kong context. People simply didn't know what I was talking about. You need to think the way they think, to get things done."



long term the focus must be on using local capabilities.”

Gee thinks the idea that “things work differently up there” is a tired cliché. “Take the concept of *guanxi*, or connections. *Guanxi* does exist, but it’s no better or worse than similar old boys’ networks that you get from Ivy League universities or from Oxford and Cambridge.” The real differences, he believes, are often more subtle. “In China, executive positions in state-owned enterprises are often filled by the state. You may be dealing with a finance director who is a very bright former government official but who has little experience in the industry they’re working in. You need to understand that different career backgrounds create different dynamics.”

TIME TO EXPAND

According to Law, it takes time to build up a local practice or local contacts, so anyone thinking of making the move should do so now. “The earlier Hong Kong professionals come to China, the better,” she says. “You can learn how to do business here and get valuable experience. China is a huge market: there’s plenty of room for expansion.” She also points out there’s huge demand from local and foreign companies for experienced managers and finance personnel to join their top management teams.

Ng feels that it’s worth having some solid Hong Kong experience before moving north. “While you’re in Hong Kong, work on your language skills,” he suggests. “It

would help if you could get the Chinese Institute of CPA’s (CICPA) qualification. This is difficult, but well worth it.”

Even if you’re not thinking of a permanent move, everyone agrees it’s still worth spending some time in China. “It’s good to get some China experience to differentiate yourself from your contemporaries,” Yen points out. “Having this experience adds a new dimension to your professional outlook.”

If you do decide to make the move, Gee cautions you to take a pragmatic view of working in China. “Do not pass judgment on its people and procedures because they do not yet accord with international standards. The maturity process does not happen overnight. It takes time for the maturity gap to close.” **A+**



► *Taking your business over the border*



Many of Hong Kong's small and medium-sized practitioners are looking north as a way of surviving tough market conditions

at home. One such firm is Wing On Professional Group. Its Guangzhou office provides bookkeeping for both Hong Kong and Mainland clients. “A lot of this work is done in China as costs are lower there,” explains the firm’s president Louis Leung (pictured). “If there’s anything we can’t do in China, we’ll do it in Hong Kong. But our aim is to shift as much as possible to the Mainland. We want to explore the China market and, in parallel, help promote those Chinese businesses looking to expand overseas.”