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# Rising to the challenge

PwC China and Hong Kong Chairman Silas Yang tells *Helen Luk* how his firm is evolving to meet the needs of a shaken economy

Photography by Brian Ching

**T**he financial maelstrom in recent weeks has paralyzed banks and many other financial institutions. The world's economic powers look set to slip into recession and worse news is still ahead.

How does a global accounting firm deal with such extraordinary times? Silas Yang, chairman and senior partner of PricewaterhouseCoopers China and Hong Kong, believes the solution lies in streamlining the firm's structure so that it can respond with agility and speed.

Obviously, the silver lining amid the present gloom and doom is in emerging markets such as India, the Middle

East and most importantly China. Even though China's third quarter GDP slowed down compared to a year earlier, it still recorded an impressive 9 percent growth. Partly to ride on the development of these economies, PwC completed a revamp last month that was more than a year in the making: The firm divided its practices around the world into three big clusters.

Yang, who has been with PwC since 1983, now heads the east cluster covering Hong Kong and mainland China, Macau, Taiwan, Japan, Korea, Singapore and Australasia. He is part of a new five-member network leadership

team, becoming the first Chinese to rise to the top echelon of the world's biggest accounting firm by revenue.

"Our firm's structure must evolve with economic changes," says Yang. "Big companies are investing and operating in different countries. If you serve these global clients, you must provide seamless and consistent quality services."

The Big Four have for years been operating like loose networks of affiliated firms but globalization is forcing drastic changes to this approach. Last year, KPMG merged some of its European practices to form KPMG Europe, while Ernst & Young announced a big



restructuring plan in April that aims to eventually create a single firm.

At PwC, some of its member firms already operate as regional allies rather than as individual countries. For example, the firm's practices in Latin American countries such as Brazil and Argentina already share resources and profits, while in Asia, the Singapore firm merged with the Hong Kong and China firm in July.

Yang says while integration is inevitable, PwC has no immediate plan to go down the route of creating one global firm sharing the same profit pool. Instead, it wants to build a hybrid model.

"Obviously, the trend for big accounting firms is to move from a network of loose affiliations towards becoming more fully integrated. The challenge is to strike the right balance. If our system is too federal, then each unit doesn't know what the other one is doing. If we are too corporate, we risk destroying a territory's local culture, market knowledge and entrepreneurship, which are all important elements for success," he says.

To strike a good balance, PwC decided to boost the powers of the network leadership team in driving greater consistency in the quality of

services while engaging more key players from individual countries in executing the management's decisions.

In the past, the leadership team comprised partners mainly from the U.S. and the U.K. "They were like civil servants of an organization. But the people executing the policies might not necessarily agree with them," Yang explains. Now, the network leadership team has become more representative and focused, consisting of PwC's global chief executive officer and senior partners from the top four countries, namely the U.S., the U.K., China – each leading one of the three clusters – and Germany.

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## The rock-climber

For Silas Yang, overcoming seemingly insurmountable challenges is like second nature to him. He compares working at the Big Four to rock-climbing: "People first practised climbing in the gym with safety belts attached. Then they moved outdoors to cliffs. Eventually, they cast aside their ropes and climbed to the top with their bare hands. Why do you think they do it? Because they enjoy the process. So we need to create a work environment where people enjoy doing what they do despite having to work really hard."

When Yang volunteered to go and work in Shanghai in 1993, work conditions were harsh but he recalled what a deeply satisfying experience it was because the mainlanders showed him sincere respect for helping them get their companies listed and improving their accounting practices.

"They thanked us for bringing in our professional expertise. The level of respect I got was extremely rewarding. I began to appreciate the Chinese culture better and, as a Chinese, how we should help our country develop," Yang says.

That's why the first big move he took after making senior partner in 2001 was to merge PwC's Hong Kong and mainland Chinese practices. "That was an important step as to why we are doing so well in China today because there was no division and we serve our Chinese clients as one firm. And our Hong Kong clients investing in the mainland can just talk to us and have our people working for them on both sides of the border," he says.

Yang has steered the firm through many difficult episodes. In response to the economic impact of the 11 September 2001 terrorist attacks, he decided to cut employees' pay 6 percent to keep everyone's job. "It was the first time in PwC Hong Kong's history that we reduced staff salaries," Yang says.

Another challenge was the merger with Arthur Andersen in 2002. "That was a really bold move and we were the first to act on the opportunity. What I saw was an excellent chance to seize first-rate talents to feed China's growing market. It turned out to be a visionary step. If there were so many Andersen partners and staff available on the market now, every firm would be competing for them," he says.

But integrating Andersen staff into PwC was not easy, given that the SARS crisis hit shortly after the merger, sending the economy downward, Yang says. "It was really tough at the time. Everything came to a standstill. We decided to ask the more senior partners to take a pay cut – they showed great team spirit and agreed. Fortunately, the crisis was short-lived."

Yang says he continues to get propelled by the challenges in his work: "I really enjoy the process. I feel like I am achieving something all the time."

Nobody wants to see them drown. If the U.S. sneezes, we may all end up in hospital. The impact is huge. We can't act as if we can rise on their fall.

"The alignment of decision making and execution is key to success. If the five of us reach a consensus, we will lead our teams in our respective countries to execute the agreed policies. This has major benefits over an approach where a central office makes the decisions without embracing the people who are executing them," he says.

The firm also has established a strategy council, pulling in representatives from 20 countries, including Australia, Canada, France, India, Japan, Korea, Switzerland, the Netherlands, Italy and Brazil, that contribute 85 percent of the firm's total revenue. "We bring these senior partners together three to four times a year and explain our decisions so that they will buy into them," he says.

This approach represents a break from the firm's past reliance on mainly developed markets. "You look at China, Russia, Brazil, India, Central and Eastern Europe, they are becoming more important. Their year-on-year growth is 25 to 35 percent in revenue, while the more matured markets report growth of 8 to 12 percent. In the longer term, they will make a difference to the revenue base and so we need to take a more forward-looking approach and engage them early on in the decision-making process," he says.

Yang says the five leaders can now appraise the performances of senior partners in different countries and influence their appointments. "If they do not perform satisfactorily, we can adjust their remuneration. That mechanism didn't exist in the past. And if we think some people are not suitable to become senior partners because they are not good corporate citizens, we can also influence their appointments," Yang says.

The network leadership team will also have a say in the appointments of those who command global client accounts, such as IBM and J.P. Morgan, so that the most



## Profile

- 1978** Graduated from The London School of Economics
  - 1982** Qualified as a chartered accountant in London
  - 1983** Joined Price Waterhouse Hong Kong
  - 1989** Made partner
  - 1993** Relocated to Price Waterhouse's Shanghai office and set up joint venture with local firm Da Wah
  - 2001** Elected chairman and senior partner of PwC Hong Kong
  - 2002** Became chairman and senior partner of PwC China and Hong Kong
  - 2008** Became chairman of PwC China, Hong Kong and Singapore, member of network leadership team and chairman of east cluster
- Appointed as consultant to China's Ministry of Finance Accounting Regulatory Department

appropriate people head them. "We are hoping that through these processes, we can select the person with the best expertise and experience to lead the job," he says.

Yang believes the reorganization will allow member firms to leverage on each other's resources and move staff across borders more easily. He cites the U.S. liquidity crisis as an example. "There's a lot of restructuring work, which will create a huge demand for financial professionals and the U.S. won't be able to mobilize so many people within their network. But now with more direct communication

between regions, the U.S. senior partner can just approach me and see if it's possible to pool people from our China practice to help," he says.

With the new structure, Yang says the three clusters can discuss the possibility of sharing some back office functions to cut costs. With the global economy in such a bad shape, will that mean layoffs down the road?

"We have not explored this in depth yet. It is still early days," Yang says, but he expects to see an increase in outsourcing work from the U.S. to emerging markets such as China and India. "We should be the beneficiary because we are the low-

cost base countries."

Yang, however, says the U.S. and the U.K. will remain prominent in the global economy despite their current economic plight. "Nobody wants to see them drown. If the U.S. sneezes, we may all end up in hospital. The impact is huge," he says. "We can't act as if we can rise on their fall."

As for China, Yang says there may be a few hiccups along the way of the nation's development, such as the recent milk products scare and the slowing growth as a result of the subprime crisis, but there is no stopping China from becoming an economic powerhouse. **A+**