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Braving the storm

Hong Kong accounting firms are remembering past lessons in handling their hiring amid the financial turmoil, writes *Cookie Micaller*

When the 1997-98 financial crisis raged across Asia, many countries were caught unprepared by the first such turbulence in recent memory. A lot of companies – uncertain when the crisis would blow over – resorted to layoffs. PricewaterhouseCoopers slashed a tenth of its 600- to 700-strong workforce in mainland China at the time. The Big Four firm would later regret that decision.

"The mistake we made in 1997 was to cut people. It's not massive but still it's 10 percent," Dave McCann tells *A Plus* in an interview. "But after two to three months, we won the audit of PetroChina, one of the biggest companies in China. We were looking around and thinking, 'Where are the people to manage this job?'" McMann, based in Beijing, is PwC's human resource partner for China and Hong Kong.

Having learned its lesson, PwC is hanging onto its people in this financial maelstrom, which has already led to massive layoffs in the United States and Europe.

In the U.S. alone, 240,000 employees were let go in October, bringing the total number of unemployed to 1.18 million. The European Commission predicted unemployment in the recession-stricken eurozone to hit 7.6 percent by the end of the year and rising to 8.4 percent and 8.7 percent in 2009 and 2010, respectively.

In Hong Kong, PwC is pulling employees out of businesses that are slackening, including initial public offerings and mergers and acquisitions, and shuffling them to address new windows of opportunities, such as insolvency, restructuring and refinancing.

McCann says PwC's board decided on 28 October "there will be no cuts in our headcount" and that the firm will continue to hire, including about 2,000 fresh graduates next year, to boost its 12,000-strong workforce in Asia – 10,500 in China and Hong Kong, and 2,000 in Singapore.

Similarly, Deloitte, Ernst & Young and KPMG have not shown signs of a slowdown in recruitment. Since January, Deloitte has hired 1,500 university graduates in the mainland, Hong Kong and Macau, and 720 experienced professionals. KPMG and Ernst & Young each recruited 2,000 new hires this year in China and Hong Kong.

"We've been through many ups and downs," McCann says. "We had the Asian economic crisis... We had the SARS crisis in 2003 and we lost a few heads, but not really a lot. Every time that happens, two to three years down the path, we ask ourselves, 'Why did we do that?' We're not going to make the same mistake we made in the past."

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Good time to hire

The same is true for Grant Thornton, which not only has no layoff plan but is continuing to expand its 1,300 staff. Andrew Lam, the firm's human resources partner, says accountancy firms handle staffing differently from manufacturing companies, where staff size rises or drops in relation to the magnitude of the firms' production.

"If we reduce staffing this year, when the economy recovers, we will be short of staff. If it recovers in three years' time, we will be short of people with experience. We have to plan for that as well," Lam says.

Just two months ago, Grant Thornton hired 150 new graduates in Hong Kong and about the same number in China – a record-high for the company, he says.

The economic downturn is at least easing a talent crunch that has been plaguing the accounting profession in recent years, exacerbated by the boom in the Hong Kong and China capital markets. Finally, the time has come to scout for quality people, Lam says.

"In the past, it's really difficult to get the right people. You put an ad then there will be 10 to 20 applicants coming in and yet, they're not the people you're looking for. But now, there are more applicants and quite a good number of people who suit the requirements," he says.

Sharon Sum, director of audit and assurance at mid-sized Shu Lun Pan Horwath CPA Ltd., notes that the banking and commercial sectors are recruiting fewer accountants as a result of headcount freezes and cost-cutting.

"Accordingly, we find it easier to retain our current talent pool and to recruit qualified accountants who are willing to go back or stay in the public accounting profession," says Sum, who is in charge of her company's recruitment for 2009.

Currently, Horwath has 300 staff in Hong Kong and recently recruited about 30 fresh graduates. According to Sum, Horwath is planning to hire more experienced accountants to "improve the quality of our work and reduce the workload of existing staff."

Look beyond the crisis

Peter Finch, talent management consulting firm SHL's vice president in Greater China, says companies are right to look beyond the current financial crunch and assess the manpower they will need following a recovery.

"You have to look at it proactively," Finch says. "It's a competitive market out there and your competitors are faced with the same scenarios as you. The one who comes out of this economic downturn is best prepared to take full advantage of the upturn when it comes."

Finch shares the case of CLP Holdings, which kick-started training for its staff during SARS, when Hong Kong's economy was falling apart.

"CLP was right during the SARS period. They were preparing themselves for a lot of things," he recalls. "The investment that they were putting in training people didn't stop. They did not pull back on it." In the end, the company was able to reap benefits when the economy rebounded, he says.

How to survive in bad times

In the increasingly unstable financial climate, reducing staff can cut costs but companies that do so risk losing good people as they wield the axe. Peter Finch, vice president of talent management company SHL in Greater China, offers these tips to help companies survive the storm with their manpower intact:

Resist the temptation

Growth will inevitably follow the economic slowdown and when that happens, the profession will need people with differing skills to spark business growth.

Retain and capitalize on existing talent

This is fundamental in surviving the economic downturn. As belts tighten, human resources professionals must make the right investments in people and take steps to avoid poor hiring decisions.

Profiling of roles

After identifying the critical positions, get the right people in the right roles. Establishing an employee's motivation, strengths and weaknesses will help you figure out how to put together a customized training and development plan.

Devise a talent management programme

Every company should do it, with or without an economic downturn. Its progress should be reviewed to determine if it has benefited the employee. A successful talent management programme bolsters productivity and retains top performers.

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Although Hong Kong's gross domestic product is expected to fall to 3 percent to 3.5 percent by year-end from earlier projections of 4 percent to 5 percent, many believe Hong Kong will continue to benefit from China's economic development down the road.

Lam of Grant Thornton predicts that a recovery in the capital markets can come as early as the middle of next year, while other analysts say it will take a year.

Despite a slowdown in IPOs and mergers and acquisitions, "that doesn't mean you'll be seeing a lot of people sitting around and doing nothing in assurance because if you look at the work volume, we are still gaining listed clients' recurring audit because a large chunk of our workload is on the recurring audit side," Lam says.

"If this global problem is resolved, and it will be, we want to be positioned to take advantage of the opportunities and not regret the decision that will be made today," says McCann.

According to Finch, this is a good time for companies to re-evaluate the competencies of their staff rather than cutting corners by simply laying off people.

"If you look at it in accounting terms, if the value or contribution of an employee is greater than the costs, you should be doing something about that asset. You should look at it like you're looking at any asset," he says. A+

Selling yourself

Seeking a job in a financial crunch is unnerving but applicants can find the oasis in the desert by following certain rules, according to David Jones, Asia Pacific managing director with recruitment firm Robert Half International:

Seek out roles that are still in demand

There are jobs for professionals with in-demand skills and experience such as those in risk and compliance, real estate, investment trusts and insurance.

Time to go home

Foreign nationals in the U.S. and the U.K. are returning home, where markets offer opportunities. Hong Kongers, Australians and New Zealanders, for example, are heading to home markets, bringing with them their strong experience overseas.

Take a short-term contract

The slowdown yields opportunities for interim management jobs since this is a variable cost rather than a fixed cost. This is a relatively new concept in Hong Kong but more businesses are realizing its value.

Work for ambitious regional firms

Regional institutions often have less exposure to the market mess and they are now hiring from international firms to push their business forward.

View your job search as a job

Organize yourself and establish routines to be more effective. Use all job-hunting tools and techniques available and start by getting acquainted with established global recruitment firms.