A view from both sides of the fence

T Brian Stevenson has been a massive and influential presence in Hong Kong’s business community. He explains how his early choice to become an accountant provided a solid base for a stellar business career.

Most people might not equate a career in public accounting with the hurly-burly of the business world but former chairman and managing partner of Ernst & Young (Hong Kong and China) Brian Stevenson found that for him there were parallels between the two.

Mr Stevenson, who retired at 55 in 1999 after 19 years at the helm, witnessed the breathtaking pace of expansion and consolidation in the accounting industry over those years, all the while steering his own firm through the vicissitudes of that era much like the chief executive of a major corporation.

No time for retirement

Retirement, or more accurately, semi-retirement, has dulled neither his boundless energy nor his passion for work. Today, his part-time work consists of sitting on the boards of directors of some of Hong Kong’s highest profile institutions, including the Hong Kong and Shanghai Banking Corporation, the Mass Transit Railway Corporation (MTRC), the Securities and Futures Commission (SFC) and Ocean Park Corp. A racing enthusiast, he’s also a steward of the Hong Kong Jockey Club.

‘I regard myself as having been in a somewhat commercial role even though I was in [public accounting] because I was managing and running a large organisation,’ says the man who also served as president of the Hong Kong Society of Accountants in 1996. ‘I loved my business career from the word go to the very last minute.’

And so to Hong Kong

A native of Scotland, Mr Stevenson attained a law degree from Glasgow University in 1965 en route to gaining his accountant qualification three years later. Following a two-year stint at a local accountancy firm, he arrived in Hong Kong, as so many do, on a three-year contract and worked for Lowe Bingham and Matthews, which was later to become PricewaterhouseCoopers.

An 18-month detour working for a commercial company in Singapore brought him back into the fold of public accounting for the Lion City’s Turquand Youngs, which led to an assignment in 1974 to open an office for the firm in Hong Kong, where he has made his life ever since.

The corporate merger mania that defined the swaggering 1980s and 1990s extended to the accounting world, with Mr Stevenson’s firm passing through two mergers before assuming its present and final form in 1989. The lessons he learned from those experiences proved an incomparable education for someone with his eyes on the future.

‘I was very fortunate because I opened an office with one partner and myself which grew into a very substantial organisation by the time I left,’ he recalls. In 1981, the year he was appointed to the top post, his firm – then known as Ernst & Whinney – had 180 employees. One of the Big Four, Ernst & Young’s current staff totals more than 3,000 in Hong Kong and China.

‘It was very much entrepreneurial for me,’ he says. ‘If you join a large firm, sometimes you just come straight up the audit stream and you remain there and eventually become an audit partner. But I was involved in the overall development of the firm, human resources, client development, promotion, all these activities.’

Mr Stevenson’s legal background made specialising in taxation a natural choice for a bright young accountant. Then, as Hong Kong’s economy turned sour in the early to mid-1980s, he transferred into insolvency and corporate restructuring work as a series of corporate failures, notably that of the Carrian Group, rocked the territory. The Carrian Group, a high-flying Hong Kong property company, collapsed in 1983 with debts of more than US$1 billion.

Career highlight

‘The [Carrian liquidation] was one of the highlights of my career. I worked on that from 1983 until I left in 1999. For the first couple of years, it was virtually full-time. Toward the end, one was doing very little because of the complicated legal structure of the group, but we kept on discovering assets,’ he says.

He particularly relished insolvency work and corporate restructuring because it gave him an opportunity to turn what was ostensibly a bleak situation into something positive. ‘We were stepping into businesses that were in trouble. We had to resolve difficulties if they were in receivership. There was the opportunity to move businesses on to other people and that, in turn, would continue the employment of people from a company that had gone defunct,’ he explains.

A workaholic by nature, Mr Stevenson retired from Ernst & Young because he had reached the firm’s mandatory retirement age. ‘I really had nothing planned [for retirement] other than the usual thing, which was to have more time for myself, my family, and to create other interests, such as sports and travel,’ he says.

A golf devotee, he used his newfound freedom to happily indulge himself on the links and spend more time looking after his two racehorses. But after about six months of leisure, he found himself restless for new challenges. ‘I thought I’ve got to do something to keep my brain going. So I did something that took me back to the beginning. I went back to the law,’ he says. He earned a master’s degree in commercial and financial law from the University of Hong Kong, which he completed in 2001.
He found that the degree was of use in his capacity as a director on the board of the SFC. 'I learned a good bit more than I knew about securities ordinances and banking ordinances, and that was extremely useful,' he says.

Experience brings its own rewards

Mr Stevenson’s retirement and expertise in financial matters were not to go unnoticed by other institutions. He was already a member of the general committee of the Hong Kong General Chamber of Commerce and a Jockey Club steward when a number of other invitations began coming in. In addition to the directorships already named, his responsibilities include chairing the audit committees at the SFC, Hongkong Bank and the MTRC.

As an independent non-executive director (INED), he’s had to adjust his perspective somewhat, from that of being an outsider looking in to an insider offering advice. ‘I’m on a different side of the fence,’ he acknowledges. ‘The organisations I’m involved in are very different – I’ve got a bank, a railway, [a leisure attraction], a regulator and a sports and charitable organisation. Each one has its own challenges and I find that very interesting.’

Not only has the learning curve been fairly steep, he readily admits that it’s taken some effort to rein in his formidable personality while functioning as one board member among many. ‘It has not been easy to adapt to the role of an advisor after having been a chief executive for 19 years,’ he says ruefully, though adding that he hasn’t become a wallflower. ‘I don’t think I would exactly be called shy. You have to have the ability to interact with your colleagues on the board.’

His participation on boards of directors has given him an opportunity to look more closely at the role directors play, particularly INEDs. ‘It’s an evolving role. Clearly it has increasing importance in corporate governance, but I do get concerned that they are not a panacea for [corporate] ills,’ he says. ‘My concern is that there is going to be a push for more and more INEDs, and I’m not sure how they are going to get the quality of people to perform these roles.’

Imperfect risk reward equation

It’s no secret that remuneration for INEDs at Hong Kong companies has been a sore spot for years; reportedly, they earn a fraction of what their counterparts in the US do. And with directors in the post-Enron era expected to shoulder more responsibility for keeping their companies honest, Mr Stevenson believes that with those added responsibilities come liabilities. ‘Relative to the time spent, one might say that [directors’ fees] are reasonable in quantum terms, but the amount may not prove attractive given the risk that individuals have when they take on these roles,’ the former chairman notes.

He also points out that non-executive directors (NEDs) are an under-utilised resource in Hong Kong. Such an individual might be employed by another company which has business dealings with the firm in question. ‘NEDs have their pluses and minuses but there is a lot of merit in the role to be played there. I would encourage companies in Hong Kong to let their senior executives sit on other people’s boards. It would be good experience for these executives as well as good for corporate Hong Kong,’ he maintains.

What to look for in a directorship

For anyone considering whether to accept a directorship, his advice is to do what he did and carefully weigh a number of factors. ‘I’m selective in the positions I accept,’ he says. ‘I definitely think you’ve got to be comfortable with management, their corporate governance, the degree of information they provide to directors and the number of meetings they have. All of that is important to me.’ It goes almost without saying that the integrity of those with whom he serves carries equal weight. ‘Looking at and observing the quality of management is [part of an INED’s job]. I would expect all of my colleagues [on the board] to have a high moral conscience,’ he declares.

Since becoming an accountant in 1968, Mr Stevenson has watched the profession evolve as it responded to the needs of the times. ‘It has become undoubtedly more complex. As capital markets and globalisation have developed, there is a greater specialisation required in the profession than ever before. In the old days, you could be a jack of all trades, but not any more.’

The savaging that accountants have taken in the press in the wake of the Enron and WorldCom scandals, and the downfall of Arthur Andersen, pains him deeply. ‘It’s very sad. I’m certainly not amused at seeing accountants as music hall jokes. [The profession] has a critical role to play in the support of business generally. If you had no professional accountants, I don’t see frankly how you would have investment and capital markets,’ he observes.

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I think people have gotten carried away, particularly in America. I always respected Andersen as competitors. I thought that what transpired was a real tragedy for them obviously, but also for the profession generally because I do think we need more than four major firms. That is a great loss to see [the group] reduced by as much as 20 per cent.

He firmly supports the recent divestiture of consulting operations by major accounting firms as a sound way of avoiding even the appearance of impropriety. ‘I think it’s 100 per cent appropriate. I was never in favour of one-stop shopping. I was never in favour of the growth of management consultants as divisions of professional accounting firms,’ he emphasises.

No overreaction

However, we should be careful not to throw the baby out with the bath water. I’ve heard suggestions that accountants should not be tax advisors to their audit clients. I do not think that is a good move. I think there are roles for accountants as providers of bookkeeping services, secretarial services, things of this nature.’

The sweeping Sarbanes-Oxley Act enacted into law in July in the US bans auditors from offering a laundry list of almost a dozen consulting services to clients – if they are at the same time auditing them. Most of the services were already prohibited but the Act added internal audit outsourcing and financial information system design to the roster.

Mr Stevenson has no worries that accounting firms’ new back-to-basics philosophy will hurt their bottom lines in the long run. ‘Often the growth of the consulting services was at the expense of auditing, in that one would reduce auditing fees to sell consulting services. To my mind, that was never appropriate,’ he says. ‘Auditing should not be a loss leader. This is their chance to come back and receive fair value for their services.’

In Hong Kong at least, he feels the credibility of accountants has not been unduly affected by the corporate scandals over the past year. ‘One would say with the general populace the image of accountants might have been damaged but I think people in the business community know the quality of what they are dealing with,’ he says.

Business as usual

His devotion to what he describes as a ‘most excellent profession’ comes straight from the heart. A hybrid who counts himself part-accountant and part-businessman, he’s convinced he’s had the best of both worlds. ‘I had no desire at all to be a great tycoon,’ reflects the man who was awarded the SAR Government’s Silver Bauhinia Star in 1998 for aiding in the development of Hong Kong’s services industries. ‘I was very happy in the job I did and happy with what I’m doing now.’

ANDREA PAVLYNA IS A BUSINESS JOURNALIST