

Global Strength, Local Focus

An interview with Peter Bowie,
Chief Executive Officer, Deloitte China, Beijing



Peter Bowie

EDITORS' NOTE Since joining the partnership of Deloitte China in 2003, Peter Bowie has been an advisory partner on some of Deloitte's most significant national and global client accounts and is a frequent speaker on issues related to governance, performance, and risk management. Previously, Bowie was chairman of Deloitte Canada, a member of the firm's management committee, and a member of the board and governance committees of Deloitte International. Prior to joining Deloitte, Bowie worked for two global companies in the semiconductor and telecommunications manufacturing industries and was also the CFO of an enterprise software company. Bowie holds a bachelor's degree in commerce from St Mary's University (Halifax, Canada), and a master's degree in business administration from the University of Ottawa.

COMPANY BRIEF Deloitte Touche Tohmatsu (www.deloitte.com) is an organization of member firms around the world devoted to excellence in providing professional services to clients through a global strategy executed locally in nearly 150 countries. With access to the intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas – audit, tax, consulting, and financial advisory services – and serves more than half the world's largest compa-

nies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies.

Deloitte China provides services through a number of legal entities that are members of Deloitte Touche Tohmatsu (Swiss Verein). A leading professional services provider in the Chinese mainland, Hong Kong, and Macau, the company has been a significant contributor to the development of China's accounting standards, taxation system, and local professional accountants.

When did Deloitte first enter China, and how has your business developed since then?

We can trace our firm's history in China back to 1917, when we first opened an office in Shanghai. In the '80s, our focus was on providing local services to the influx of multinationals coming into China. In the following decade, we went on to assist some of the first Chinese companies seeking foreign financing through listings on the Hong Kong Stock Exchange and other major exchanges around the world. In 2003, our global organization of member firms, looking ahead to the next decade, defined the future meaning of "global" as one that includes a significant China firm, and committed \$150 million over the next five to seven years to Deloitte's China member firm. This investment is enabling us to build superior capability with the objective of delivering measurable, value-added services that help not only multinational companies in China, but also Chinese companies, to increase their shareholder value.

What is Deloitte's future vision in China?

We intend to be recognized as the best professional services firm in China where the best people and companies choose to be.

What is Deloitte's strategy to realize its vision in China?

Deloitte's commitment is clearly demonstrated by our readiness to invest \$150 million in the Chinese market over the next few years – the largest investment Deloitte has ever made in a single market.

Around 70 percent of this will be invested in human capital development. Every successful member firm in our global organization is a firm run by local partners, complemented by international expertise where needed. This is our model for Deloitte China. We are aiming for a China firm comprised of 80 percent to 90 percent local partners from China, and 10 percent to 20 percent unique experts from other markets. Our recruiting strategy includes a combination of experienced hires, aggressive recruitment of fresh and top talent from China's universities, as well as strategic mergers with top local firms where we can enhance the value we can deliver to each other's clients. This is not only self-serving. It also serves to develop the local accounting profession, as well as the wider community in China. The accounting profession is playing a pivotal role in assisting the transformation of Chinese enterprises to increase their competitiveness in the global economy. The internationalization of China's CPA profession is critical to the stability and sustainable growth of China's capital market, and its growing status as a global economic power.

I'm continuously impressed by the people I am working with in China. We now have more than 5,000 people in 10 offices across China, and we are committed to helping them to become the best. We recognize that, in the long run, everyone will benefit from the development of China's local accounting profession.

Our objective is to contribute beyond just the professional service offerings of Deloitte. Over the years, we have supported initiatives that promote education. Most recently, we have been working with the Ministry of Finance on a special program to provide international experience to top students. I think that if we want to be counted as a member of the community, we have an obligation to contribute to the betterment of the community in whatever way we can best add value.

Your profession is a highly competitive one. How does Deloitte differ from its competition?

We are a little different from our competitors with respect to our core range of

service offerings. A few years ago, unlike our competitors, we made a conscious decision to retain and develop our consulting practice as a key service offering.

The opening of China's markets after its WTO entry is challenging Chinese enterprises with rapidly growing domestic and foreign competition. Chinese enterprises are very efficient at production but less experienced in marketing. Previously sheltered by government, they now increasingly have to compete for resources such as financing and talent; for market share through brand, versus pure volume; and for shareholder value, by demonstrating conformity to international standards for transparency, governance, and quality. Each of these aspects is a significant challenge on its own, but Chinese enterprises have to address these challenges simultaneously and under intense time pressure.

There is no question that China's state-owned enterprise sector reform is going to be successful. I read in 2003 that Chairman Li Rongrong of the State-Owned Assets Supervision and Administration Commission [SASAC] said that China aims to have 50 of the *Fortune* 500 companies by 2010. In reality, China probably already has 50 enterprises large enough to be counted among the global Fortune 500 – when they go public. What these enterprises need to do is to achieve a smooth and sustainable transition from being state-owned. We believe we can help

We have a comprehensive range of service offerings including consulting, financial advisory, tax, and audit that we can leverage for our clients, which is particularly relevant to the needs of Chinese enterprises at this stage of China's market reform and opening.

The reform and globalization of China's state-owned enterprise sector is a complicated process, particularly given the fast pace of growth in the Chinese market. Given this environment, what opportunities and challenges does Deloitte face in its aspirations to assist Chinese enterprises?

Let's look first at opportunities. We are a local firm deeply connected to a global organization. In China, we have a strong and growing team of local professionals who have a deep understanding of the local market. We also tap into our global organization's network in nearly 150 countries around the world, with more than 120,000 people to draw on for international expertise in various disciplines and experiences with similar challenges in other markets. For example, we can help our clients set their priorities for organizational improvement by drawing upon our international experience in working on different organizational models for our clients around the world.

When you put all these factors together with our advantage in consulting, it becomes clear that we really are well positioned to deliver measur-

able value to Chinese companies.

Of course, we have challenges too. Right now, with demand for professional services outstripping supply, we are very busy and sometimes have to decline some requests for our services.

To those who find China a tough place to do business, what will help them turn their China challenge into a China opportunity?

I will answer that from my personal experience. First, you cannot come to China thinking that you understand what's going on here. Language, business practices, and cultural differences all bring different expectations.

Second, transitioning into a China business is not as easy as simply sending a bunch of people here from overseas locations. You have to understand the differences between China and the market, or markets, that you have come from before you can start to be effective and add value.

Third, don't expect that you will necessarily achieve the same results quickly just because you have established processes and methodologies that you can bring into the China market. Some companies think they can readily transplant their existing approach, but they forget that these processes and methodologies have been built up over many years and are applied by people who have the background, experience, and training relevant to their own environment – which may not be the same as the environment in China.

Fourth, I would say that real communication is critical. You must never assume that you understand everything. You must make sure that what you mean to say is what is being received, and you need to make sure that what you think you heard is what is actually being said. This is critical when both parties don't really know each other that well. To learn how to communicate, you must willingly and wholeheartedly adapt yourself to the real environment. Miscommunication is often the cause of things going off track. It really takes a lot of work and patience to get it right.

What are the critical ingredients helping Deloitte to achieve its vision to be both a localized professional services firm in China and a global brand delivering world-class services to top Chinese companies?

The biggest advantage we have in the China market is the commitment of our firm to become much more significant in China. One of the first things we did was to establish a taskforce comprised of 30 top leaders of our China firm and key leaders from the global organization, to develop our objectives and priorities in China. That was three years ago and we have not strayed from these objectives and priorities. Besides this, we have a long-established and very strong business base in Hong Kong, which clearly helps with cross fertilization of talent and business, as well as dynamic, rapidly growing practices in

northern, eastern, and southern mainland China, centered around Beijing, Shanghai, Guangzhou, and Shenzhen respectively. Since 2003, our share of audits of the top 100 companies in China has increased four-fold. So focus, people committed to it, and resources supporting it are key.

You were with Deloitte Canada for 25 years prior to coming to China. What enticed you to come to China, and how have your China experiences impacted your life?

Ever since I was a child, I wanted to come to China because of the history and culture. When I first visited China in 1997, I was fascinated by what I saw, especially the pace of development in China. Then Deloitte offered me the opportunity to come to China and to build something very significant.

I think growing up in a bilingual culture in Canada has helped me adapt in China. I have a deep respect for different cultures and an interest in learning about the similarities, differences, and historical contexts. That aside, the people I work with in China are terrific. They are hardworking, supportive, helpful, and committed.

As for the impact of China on my life, nothing can sum it up better than what my son shared with me after his China trip. He said to me, "Dad, I want to thank you for opening me up to the world."

What is your impression of the Chinese leaders whom you have met?

I have the greatest respect for them. They are very good at what they do and, I think, among the best in the world. They are also open to learning from other experiences. Some of the Chinese business leaders whom I have met have clearly gone through really tough times, and have built very successful careers in spite of significant challenges.

Li Rongrong of SASAC is a consummate strategist. The proof is in SASAC's supervision, under his leadership, of 169 of China's top state-owned enterprises [SOEs] and their leaders. It cannot be an easy job to engage them in the process of harmonization with established international best practices for corporate governance, performance evaluation, and shareholder value creation and protection. The transition and balance are very difficult. Whereas multinational corporations only need to focus on creating value for shareholders, most China SOEs need to balance political, social, and shareholder value considerations simultaneously. I think SASAC, under Li's leadership, has done a really great job.

How would you describe yourself as a leader? Aside from the titles on your business card, what are the attributes of your personal brand?

I would like to think that people who know me as a leader associate me with integrity, fairness, balance, and commitment. These are the attributes to which I aspire, and I would be happy and proud to be linked with these. 