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## **Managing across Cultures in a Big Four Consulting Firm**

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### Abstract

This case examines how a big four consulting firm reviewed the performance of two of its Asian practices. It explores how the review was conducted, the findings, and how the outcomes were communicated. It reveals the challenges faced by Western managers in telling Eastern managers they need to improve their performance. The case is about cross cultural management and organisational structure and control. It offers a fascinating insight into the Board Room of one of the world's leading consulting firms.

### Keywords

Managing, across, Cultures, Big, Four, Consulting, Firm

### Disciplines

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## MANAGING ACROSS CULTURES IN A BIG FOUR CONSULTING FIRM

Peter Massingham  
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### Abstract

This case examines how a big four consulting firm reviewed the performance of two of its Asian practices. It explores how the review was conducted, the findings, and how the outcomes were communicated. It reveals the challenges faced by Western managers in telling Eastern managers they need to improve their performance. The case is about cross cultural management and organisational structure and control. It offers a fascinating insight into the Board Room of one of the world's leading consulting firms.

### Key Words

Cross-cultural management  
Organisational structure and control  
Management consulting firms  
East versus West perceptions on strategy

### Biography

**Peter Massingham**, PhD is a senior lecturer at the University of Wollongong's School of Management and Marketing. He was Head of Management in 2002-2004. He is currently the Director of the Center for Leadership and Knowledge Management. His teaching and research interests are in international business and knowledge management. His current research projects include: measuring knowledge loss, expatriate knowledge transfer, first mover advantage, and managing risks associated with knowledge management. Peter has five years experience in industry in strategic planning, and ten years as a management consultant, most recently with a big four consulting firm where he was a manager, and has led more than 100 projects for many of Australia's leading firms. He has operated in 13 countries. He has specific expertise in the Defence, automotive, metals, financial services, building materials, energy, and electronics goods industries. He is currently working on a number of projects for Australian industry on knowledge strategy.

### Introduction

Alfonso Farquar was sitting in a Mexican restaurant in Delhi, India. It was 12.30 pm on February 26, 1998. He noticed that the Pakistani waiter was dressed in an American Cowboy suit. He called him over to the table and ordered a German beer. It was to be the first of many beers as he contemplated what went wrong. How could this have happened? He had worked his whole career for this moment, developed and polished skills that had made him one of the best in his field. Two days ago he was at the top of a mountain, and now he felt crushed by an avalanche. What did he do wrong?

### In Australia - the start of the Project

Farquar worked for Mr Richard Lovemore who was a senior partner at one of the big four consulting firms in Sydney, Australia (we will refer to this company as the Firm). Mr Lovemore recruited

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Farquar because he felt the firm focused too much on the bottom line, that is, improving efficiencies and reducing costs, and not enough on the top line - growing revenues. Farquar was a highly educated and a very experienced consultant with particular expertise in strategic marketing. He had unique skills within the Firm and these were soon recognised by Mr David Mosman.

Mr Mosman was the Partner-in-Charge of one of the Firm's five national business units. He was also the Firm's Partner-in-Charge of Business Development, on the Firm's Australian Board, and a member of the Firm's International Marketing Committee. As part of his role on the International Marketing Committee, Mr Mosman was asked to conduct a review of the performance of some of the Firm's Asian practices.

Mr Mosman told Farquar that the Firm was not happy with the growth of most of its Asian practices. Asia was a large market opportunity for the Firm and senior management felt that this was not being captured. Management were concerned that if the Asian practices did not improve their performance, competitors would erode their market share and capture the market growth. Mr Mosman felt that the key to improving the Asian practices' performance was business development. He assumed that the main reason for their slow market growth was their lack of marketing skills. Therefore, he felt Farquar would be ideal to lead these reviews. Mr Mosman asked Farquar to identify the nature of the problem and how to fix it. He told Farquar to transfer a 'best practice' approach to business development to the Asian practices. He also implied that if Farquar did a good job with reviewing the Taiwanese and Indian practices, he would probably be asked to look at each practice in Asia.

Mr Mosman concluded by saying that Mr John Hotch would be Farquar's main liaison point in Taiwan. Mr Hotch was a senior United Kingdom partner who was also the Asia Regional Partner. While he did not have line responsibility over the Managing Partners in each country, he did have a 'watchdog' role in monitoring the activities of the Asian practices. Mr Hotch was based in Taiwan. He was not a member of the Taiwan practice. He was also very supportive of the study. He asked that Taiwan be included in the initial two 'pilot studies' because he a) had a personal interest in the Taiwan practice and b) it was where he was based. The International Marketing Committee originally chose the Indonesian practice as the other pilot study because it was perceived to be most in need of help. However, the Indian practice lobbied to be included in the pilot study and persuaded senior management for them to replace Indonesia. Mr Mosman also indicated that Mr Bill Honeysuckle, the Firm's Managing Partner in Australia, would be taking a close interest in the project. Mr Honeysuckle was also the Chair of the Firm's Asia Pacific Board. Ultimately, Farquar would be reporting his findings to him.

Farquar left Mr Mosman's office with his head spinning. What an opportunity! While he had considerable overseas experience - he had never been to Taiwan or India. He had never met Mr Honeysuckle and had never heard of Mr Hotch or any of the other people he would be working with on this project. But...it was a chance to advise the advisors. He would be reporting to the most senior staff in his organisation in Australia and in the international network. It was the most visible project he had ever been given. He could not wait to show how good he was.

### **Theoretical frameworks**

There are several streams of the literature that may help readers examine the case. These include the literature on cross-cultural management literature, and organisational structure and control. A brief summary of relevant theoretical frameworks is provided as Appendix 1. Readers may use this to gather a basic understanding of the cultural and control issues that influence the behaviours in the case. While there are many issues that emerge, the most important managerial problems are associated with cultural clash between the key people and with the underlying political and power plays created by the Firm's structure and control processes.

Readers might look at frameworks such as Hofstede's (1997) cultural values or Trompenaars and Hampden-Turner's (1997) dimensions of culture to help analyse the cultural conflict in the case.

They might consider discussions of how culture influences structure and control, and differences in perception of strategy (Schneider and Barsoux, 1998). It should also be noted that the case refers to national culture rather than organisational culture.

### **The Firm's Organisational Structure**

The Firm had a regional structure based on country 'Practices'. Each country was a separate, autonomous operation led by a Managing Partner. The Managing Partner reported to a country 'Board of Directors'. Each practice also had Strategic Business Units (SBUs) that organised each country operation along product lines. For example, all Practices had Audit and Tax SBUs, while more mature Practices also had Management Consulting, Corporate Finance, and Corporate Recovery SBUs. Each SBU had a Partner-In-Charge that reported directly to the Managing Partner. Each Practice also had support units such as Marketing, Human Resources, and Finance - led by Partners-In-Charge.

The Firm had an International Board. This Board was led by a Chief Executive Officer and included Chairmen of Regional Boards. The Regional Boards were: North America, Europe, Asia-Pacific, South America, and Africa. The Regional Boards included the Chair, senior executives from the United Kingdom and United States; Practices, and Managing Partners from each country Practice within the region. The International Board set strategy and policy for the Firm as a whole. The Board's decisions were implemented at the Regional Board level. In reality, most country practices had a high degree of autonomy.

### **In Taiwan**

#### ***Arrival at the Taiwan Practice***

Farquar decided to tackle Taiwan first because he thought it would be harder than India. He arrived in Taipei on 10 February 1997 for a two-week assignment. His objective was to interview senior partners in the Taiwanese practice and also key customers. When he arrived at the Taiwanese office, he was met by Mr Dim Sun, the Marketing Partner. Mr Sun was a young man, early 30s, who spoke good English with an American accent. He was the son of a local Judge and had been educated at an American University. He was friendly towards Farquar and gave the impression he would fully cooperate with the project. He led Farquar to the Board Room and explained that he had arranged a schedule of interviews with the Taiwan practice's senior partners. Each partner would be interviewed privately and they would come to visit him in the Board Room at one-hour intervals. These interviews would be conducted over Farquar's first three days in Taiwan. Mr Sun had organised interviews with senior managers at each of the practice's key customers. These interviews would be conducted over the remainder of Farquar's two-week visit. Mr Sun had also assigned a young woman, a marketing assistant, to be Farquar's guide in Taiwan. She would accompany him to customer interviews and act as interpreter where necessary.

#### ***The partner interviews***

The first partner to see Farquar was Head of the Taxation Business Unit. He entered the Board Room nervously and appeared to show Farquar much respect. He was nervous while being interviewed and seemed unsure of how to answer some questions, particularly questions about marketing activities. He suggested that marketing was Mr Sun's area and not something he knew much about.

The other interviews were very similar. Each partner was cautious, respectful, cooperative, and gave a strong impression that they were aware they were 'not very good at marketing' and would welcome any advice in this area. As the interviews progressed, Farquar began to feel that the partners had a very limited view of marketing, e.g. they felt it was brochures and flyers, and that there were deeper problems. He began to form the view that the practice lacked strategic direction and basic business processes, such as prioritising workflows according to customer importance. It seemed that in order

to improve the performance of the Taiwanese practice, they needed to improve the way they conducted the strategic aspects of their business.

On the third day, Farquar met with Mr Sun. By this stage, Farquar had formed the impression that the Taiwanese practice had very little idea about strategy or marketing, and, as the partner-in-charge of these areas, Mr Sun was a key source of the Taiwanese practice's problems. Therefore, he decided that the interview with Mr Sun would be critical. During the interview, he explored Mr Sun's knowledge of marketing concepts and whether he had basic marketing processes in place, e.g. market research, market segmentation, targeting and positioning, as well as marketing mix strategies. At the conclusion of the interview, Farquar had decided that Mr Sun was clearly incompetent and not suitable for the role of Marketing Partner. He asked Mr Sun for a copy of his Marketing Plan and Mr Sun replied that he did not have a copy with him but would give him a copy that afternoon. As the discussion drew to an end, Mr Sun made the following comment:

*No one has ever been sacked from the Taiwan practice. But I am sure this can happen in Australia.*

Later that day, Mr Sun burst into the Board Room waving something in his hand that he proudly announced was his Marketing Plan. He placed it on the table in front of Farquar. Farquar looked down and saw a half page of hand-written points.

Farquar was looking forward to his lunch meeting with Mr Tommy Tai, the Taiwan practice's Managing Partner. Mr Tai had been with the practice for 27 years and was a highly experienced and well-regarded businessperson in Taipei. Mr Sun picked up Farquar from the Board Room at 12.15 pm to take him to the restaurant. He announced that Mr Tai would join them later. They went to one of the best Chinese restaurants in Taipei. They were given a 'special booth' to sit in and the restaurant staff treated Mr Sun like he was a very important person and a very valued customer. Mr Sun was very relaxed and confident. While waiting for Mr Tai, Mr Sun engaged Farquar in casual conversation designed to discover why Farquar was in Taiwan doing this study and what he had found so far. Farquar was cautious because his experience as a consultant told him never to reveal findings until he had had time to properly reflect and analyse the data. He was also reluctant to tell Mr Sun that he was a major cause of the practice's problems.

After one hour, Mr Tai joined Farquar and Mr Sun for lunch. Farquar was very respectful and courteous towards Mr Tai and keen to build a relationship with him. However, he found that over the next two hours, Mr Tai said very little. Whenever Farquar asked him a question, Mr Sun would answer for him, with a lot of bravado and confidence. He seemed to Farquar to be showing off to Mr Tai. Mr Tai seemed unconcerned and very happy for Mr Sun to answer for him. He never once interrupted Mr Sun nor disagreed with his comments. This frustrated Farquar because he wanted to hear what Mr Tai had to say and to build a relationship with him but Mr Sun seemed to be deliberately maintaining a distance between Farquar and Mr Tai. During the lunch, Farquar felt under intense scrutiny from Mr Tai. While he said little, he watched Farquar very closely and listened very intently to everything he said but Farquar could not gauge how he was feeling because he did not express his thoughts. He only said one comment that contained more than one sentence in the two-hour lunch:

*Why has Bill Honeysuckle sent you here? Why has he chosen Taiwan? Why are management concerned about us?*

Farquar was a little concerned about these comments. It seemed to him that Mr Tai had not been fully briefed about the Project, which he had assumed had been done by the senior management, and that he did not see any need for this review. His instincts told him that this was opposition to the Project and that he needed to get Mr Tai 'on-side'. So he went into a sales pitch that explained what the project was trying to achieve and the benefits for the Taiwan practice. Mr Tai responded that he still did not understand why Taiwan had been chosen for this review. Farquar stumbled ahead and replied simply that he guessed it was because Mr Hotch was based in Taipei and that perhaps he should discuss the Project with Mr Hotch. Farquar left the meeting feeling that Mr Tai had got a lot

more from him than he had got from Mr Tai. This made him feel uncomfortable because Mr Tai, as the Managing Partner, was a key interview, and he felt he had not done his job well enough. He also felt a little uncomfortable because the lunch showed that, unlike most of his partners, Mr Tai did not appear to welcome the Project. He left this to be resolved by Mr Hotch. He did not mention Mr Tai's apparent opposition to anyone.

### ***The customer interviews***

The customer interviews went well. Ms Lily Oh was the marketing assistant assigned to Farquar. She was clearly in awe of Farquar. Finally, someone who respected his expertise! The customers were cooperative and happy to talk about the Taiwan practice and its performance. Farquar was delighted with this part of the Project. The findings were consistent and validated many of his initial impressions gained from the partner interviews.

During the remaining part of his visit to Taiwan, he spent most of his time out of the Taiwan practice's office, visiting customers or at his hotel room. On rare occasions when he visited the office, usually to pick up Ms Oh to accompany him for the day, he was left in the lobby to wait and did not speak to anyone. He did not see Mr Tai or Mr Sun for the remainder of the trip.

On the last day of his visit, Ms Oh asked whether she and two of her colleagues could take Farquar out to lunch as a farewell. Farquar was a little surprised when she arrived at lunch with two young women he had never met, who turned out to be administrative assistants. He wondered why no-one senior from the practice wanted to wish him goodbye and felt a little uncomfortable that the partners had not wanted to form any relationship with him. At the conclusion of the lunch, Ms Oh and her colleagues each presented Farquar with a small gift. He felt embarrassed, particularly because he had not brought them gifts. The whole thing took him by surprise. So he paid for lunch and wished them farewell.

Back at the hotel, Farquar was surprised to get a telephone call from Mr Hotch. He had been trying to meet with him the whole trip but had been unable to find a suitable time. Mr Hotch told him that he was travelling to the airport that night because he had unexpectedly been asked to visit the Singapore Office. He told Farquar he would pick him up from the Hotel and they could talk on the way. Farquar's spirits were lifted. Here was a chance to get feedback from someone with a Western perspective and also an opportunity to impress a very senior partner with his knowledge about the Taiwan practice.

During the discussion in the car on the way to the airport, Farquar was delighted to find Mr Hotch supportive of the Project and happy with the preliminary findings that Farquar decided to share with him. He suggested that he agreed with most of Farquar's opinions about the practice. He also explained that Mr Sun's father was a very influential local figure and that he agreed that Mr Sun was incompetent.

Farquar left Mr Hotch feeling very good about the Project. He was unsure of Mr Hotch's role or his influence but he knew he was a member of the Asia Pacific Board and, therefore, someone he wanted to impress. He flew out of Taiwan feeling that he had achieved his objectives and had gathered enough information to conduct a rigorous review. He felt the Taiwan practice needed a real 'shake-up' but like most consultants, he liked this challenge. The bigger the problem, the more chance to impress.

## **In India**

### ***Arrival at the Indian Practice***

Farquar arrived in Delhi a little anxious. He wondered how the Indian partners would respond to the Project after his experience in Taiwan. On his first day, he learned he had been assigned a local guide - as with Taiwan - but this person was a woman his same age. She was the Marketing Partner and...she was British. They hit it off straight away. She was friendly, respectful, and very cooperative.

She explained that she was a British Indian. Raised in London of Indian parents, she knew something of Indian culture but she was also seen as being 'Westernised'. These attributes were highly valued by the Indian partners, particularly in a Marketing role, and she had been deliberately headhunted from the London practice. She was very relaxed about her role and felt she was in India to learn for a few years before heading back to London in a more senior role. She was not at all threatened by Farquar and explained that she was grateful for his help and would appreciate any advice he could give.

### *The interviews*

The interview process was different from Taiwan in that they were spread throughout India. Farquar would interview key partners in each major city and then interview key customers, before travelling to the next city and repeating the process.

Both the partner and customer interviews went well, with full cooperation and useful information. Farquar quickly formed opinions about the Indian practice. It seemed that the Indian partners were very keen to grow their business and were happy to get any advice that would help them. He also noticed that the partners were very good at 'talking the talk', in other words, they were familiar with and used many strategic and marketing concepts in their discussion. But...he felt they did not 'walk the talk', in other words, they didn't do what they said they should do. He wanted to understand why they appeared to know what to do but didn't do it.

During the interview process, there were a few notable incidents. In Delhi he was taken to lunch and a round of golf at the exclusive Delhi Golf Club by a senior partner. The partner was very charming and keen to build a friendship. He also paid for a limousine visit to the Taj Mahal on the weekend. He gave the impression that he was simply grateful that Farquar wanted to help them build their business. In Chennai, the Partner-In-Charge seemed isolated from his colleagues in the other major cities and had a siege mentality. He felt that his business was very different to the others, due to the region's strong manufacturing presence, and that his problems in growing the business were not understood by the others. The Indian practice's main management consulting business was based in Bangalore. Farquar looked forward to meeting with the Partner-in-Charge of Management Consulting because he felt that he would understand the Project and its objectives better than most others. He was flattered to discover that the Partner-in-Charge had invited his whole Consulting Division (35 staff) to a meeting in the Board Room to participate in the interview. However, he found that the meeting did not go as he had planned. The Partner-in-Charge wanted to control the discussion and to debate key marketing concepts with Farquar. He found this very frustrating and had to wrestle control back from the Partner-in-Charge. He left the interview feeling he did not have the support of this Partner.

Farquar met Mr Andrew Ganguly, the Indian Practice's Managing Partner, in Mumbai, in the last days of his two-week visit to India. Mr Ganguly had fought hard to get India included in this initial pilot study. While he was born in India, he had spent most of his working life in the United States. He had recently been headhunted from the U.S. practice to lead the Indian practice. He was very keen to transfer 'western best-practices' to the Indian practice and to grow the business. The interview went well, Mr Ganguly was charming, cooperative, and very supportive. At the end of the interview, he asked when he could get a copy of the results. Farquar was cautious because he had been asked to do this Project by Mr Mosman. He did not see Mr Ganguly as his client. Therefore, he answered this question evasively and Mr Ganguly appeared to end the interview a little disappointed.

On Farquar's last day in India, Mr Ganguly contacted him and indicated he would take him to dinner and then drive him to the airport. Farquar was grateful for the opportunity to build relationships and he wanted to keep Mr Ganguly 'on-side'. During dinner, Mr Ganguly wanted to know what Farquar had found on his trip to India. His consulting experience once again told him not to divulge too much without proper reflection. Therefore, he made a few general comments only. Mr Ganguly seemed disappointed at the outcome of the discussion but once again emphasised how keen he was to get good advice on how to build the practice.

## **Reporting the Findings**

### ***In Australia***

After he had completed his analysis, Farquar felt he could help both the Taiwanese and Indian practices. His report was not good news, particularly for the Taiwanese where he was highly critical of the Practice. He presented the findings to Mr Mosman. Mosman was a little nervous about the report. As a highly experienced and competent senior businessperson, he understood that the Report was explosive. He realised that many would not be happy with it, particularly the Partners from both India and Taiwan but...he did not tell Farquar this. He told Farquar that the Report was good work and that he should arrange to meet with Mr Honeysuckle.

Farquar was excited about his meeting with Mr Honeysuckle. He was proud of his work, confident in his ability, felt he had met the Project objectives, and the Report was very 'newsworthy'. He was sure that Mr Honeysuckle would be happy with the Report. He was still a little nervous because he had never met Mr Honeysuckle. The meeting went well. Mr Honeysuckle was also very concerned by the Report. He had guessed that there were problems in the Asian practices but he was alarmed by the size of the Problem. He made a quick decision - 'The Board needs to see this'. He told Farquar that there was a meeting of the Asia Pacific Board in early March 1998 (three weeks away). He was to make arrangements to fly to Delhi and stay for the duration of the meeting (three days). He also told Farquar to email copies of both reports to Mr Hotch and a copy of the Indian Report to Mr Ganguly and a copy of the Taiwan Report to Mr Tai.

He left the meeting very excited. This was an opportunity to shine on the biggest stage. He could not believe he would be presenting to the most senior people in his Firm globally. He sent the reports by email with a brief covering note saying that he would be presenting the findings at the upcoming Delhi Board meeting. Just before he left for Delhi, he got a call from one of Mr Ganguly's staff. They asked for a presentation to the Indian Board prior to the presentation to the Asia Pacific Board. Farquar explained that, unfortunately, the flights could not be re-arranged and there would not be time to discuss the findings with the Indian Board beforehand.

### ***In India - Before the Board Meeting***

Farquar arrived at the same Hotel that he had stayed at for the Delhi stage of the Project 6 weeks earlier. That afternoon he received a call from Mr Aaron Badge who was the Asia Pacific Board's secretary and who worked for Mr Hotch. Badge asked Farquar to attend an afternoon tea in the Hotel's Executive Dining Room. He explained that the Board's Executive Committee was meeting today (Wednesday). The Executive Committee involved the following members: Mr Honeysuckle (Chair), Mr Brutus Lee (Deputy-Chair and Managing Partner Singapore), Mr Howard Ong (Managing Partner Hong Kong), Mr Hotch (Asia Regional Partner), Mr Claude Thompson (Representing the Great Britain Practice), and Mr Sydney Bush (Representing the United States Practice).

Badge explained that the Executive Committee discussed strategic issues prior to the Full Board Meeting, which would begin on Thursday. He warned Farquar to be prepared to answer questions about his Project today. Farquar caught the lift up to the Executive Dining Room with high spirits. This was an opportunity to mix with the real powerbrokers. He walked cautiously into the room and was immediately greeted warmly by Mr Honeysuckle who introduced him to each of the Executive Committee members. They seemed to regard him curiously. He was, after all, only 34 years old, and he was standing in a room of people, all at least 20 years his senior, who were responsible for running one of the world's leading consulting firms, and he was here to tell them how to do their business.

Mr Honeysuckle told him that he would be required to brief the Executive Committee on his Project findings when they had finished their afternoon tea break. Mr Honeysuckle had told them about the findings briefly. The rules were: if the Executive Committee approved, Farquar would present the findings to the Full Board tomorrow. If they did not approve, he could enjoy India for a few more days and catch his flight home.

When the Executive Committee reconvened, Mr Honeysuckle introduced Farquar warmly. He emphasised the Project objectives were to examine how to improve the business development of the Taiwanese and Indian practices so that they could better capture the market opportunities that existed. The longer-term objective was to roll this Project out in the other Asian practices.

Farquar gave his presentation. He had given more than 80 presentations during his career, many at Board level. This was his finest presentation. After he had finished, there was a silence. Mr Bush was the first to speak. He said that this was important work that needed to be communicated to the Full Board. Mr Thompson agreed, he added that he was very impressed by the method used, and felt that all Practices could benefit from such a review. Mr Bush agreed and began talking about a Global Strategy, including locations as diverse as Africa and South America. Farquar's heart was pounding.

Mr Lee commented that he felt Farquar had gone beyond the scope of the Project that was commissioned by the Board. This was about marketing and what Farquar had presented was strategy. Mr Honeysuckle quickly corrected him by pointing out that this was, indeed, marketing but 'not as our generation understands it'. This was strategic marketing - the interface between strategy and marketing - that aims at quantum business improvement and market growth. Mr Lee grumbled that he still felt it was not what was asked for and that he was sure the Taiwanese and Indian practices were looking for help on brochures etc and not this type of review. Mr Thompson suggested that this was not something to be concerned about because they had received more than they had asked for and should, therefore, be delighted. Mr Ong then suggested that the Taiwanese and Indians might not be happy with the Report. There was again a silence. Mr Honeysuckle said 'Well they need to hear it'. Mr Hotch said that he would speak to Mr Ganguly and Mr Tai and 'smooth things over'. Farquar sensed there may be a problem and asked whether there was anything he could do to pacify them. Mr Thompson and Mr Bush quickly said 'don't worry, leave that to us'.

That night there was a Board Dinner involving all of the Asia Pacific Board members and the Indian Board who were their hosts. When Farquar walked down to the Hotel Lobby he saw Mr Tai. He went up to him and shook his hand. Mr Tai seemed very cold towards him. Farquar took the initiative and asked whether he could sit down with Mr Tai to have a chat about the Report. He tried to explain that he was simply doing what he had been asked to do and was trying to help Mr Tai improve the Taiwanese Practice. Mr Tai paused and then said:

*My Partners are very angry about this Report. We work very hard in Taiwan.*

Farquar tried to placate Mr Tai by saying that he understood the Partners would not be happy but 'it was about working smarter not harder' and that he would try to soften the blow at the Board meeting by saying Mr Tai and his team were working hard to improve things. He checked with Mr Tai whether this would make things better and if he felt better about the Project. Mr Tai grunted and left. Farquar left feeling relieved that they had discussed the Report and hoped that Mr Tai would not be a problem.

As he walked through the Hotel Lobby, he was greeted by Mr Honeysuckle, who warmly congratulated him on his presentation. As Mr Honeysuckle left, Mr Hotch walked up to him and suggested they share a taxi to dinner. Mr Hotch congratulated him on his outstanding presentation and suggested he had a big future with the Firm.

At the Dinner, Farquar found himself discarded by Mr Honeysuckle and Mr Hotch, and seated at a table surrounded by members of the Indian Board, with the exception of Mr Ganguly who was on another table. During the evening, he found himself being quizzed by the Board members on what he intended presenting at the Board meeting tomorrow. He tried to limit his comments to general, positive comments but found the discussion intrusive and difficult. Towards the end of the night he mentioned that he was concerned about how Mr Ganguly might feel about the report. The Board members laughed and suggested he should not worry about that - they will take care of him.

The next morning was the start of the Full Board Meeting. Farquar had been told to wait in his Hotel Room and be ready to present when called. At 8.00am he received a call from Mr Ganguly who invited him to a Breakfast Meeting. At the start of the meeting, Mr Ganguly asked Farquar whether he was going to present the same presentation that he sent my email. Farquar said he was not going to do that due to time constraints, and was going to give an abbreviated version of both the Taiwan and India reports. Mr Ganguly asked to look at the presentation Farquar planned to give the Board. Farquar decided to go through each slide with him in the hope that it would appease him and he would not be a problem at the Board meeting. During the discussion, Farquar made it clear that he was going to present a positive picture of the Indian practice and recommend that it simply needed an injection of resources and skills in order to improve its performance. Mr Ganguly indicated that he agreed with Farquar's findings but said that he was worried that the Board might ask him:

*Why he hadn't identified the problems contained in Farquar's report. If not, why not, given Farquar had only been in India for two weeks, and if so, why hadn't he fixed these problems?*

Mr Ganguly admitted he was embarrassed by the Report and did not want to look foolish in front of his peers. Farquar responded by saying that he would help as much as he could. Mr Ganguly asked whether he could take a copy of the presentation away with him. Farquar agreed. Farquar left the meeting feeling good about things. He felt that he had built a rapport with Mr Ganguly and that he could count on the Indians to be 'on-side' in the Board meeting. He was a bit more worried about Mr Tai.

Back in the Hotel Room he waited and waited. He received a call from Mr Badge at 2.25 pm to say that his presentation had been postponed until 9.00am tomorrow. Farquar sensed something was wrong but he did not know what. He spent the rest of the day in his Hotel room and had room service for dinner alone.

The next morning, he arrived at the Board Room at 8.50 am. No one acknowledged him. He took a seat at the table and looked around. He couldn't see Mr Honeysuckle and noticed Mr Lee was sitting at the Head of the table in the Chair's position. He wondered what had happened and turned to the person sitting next to him and asked where Mr Honeysuckle was. He was told that Mr Honeysuckle had been forced to rush back to Sydney to address some urgent local issues and Mr Lee was now the Chair of the meeting.

At 9.00 am, Mr Lee called the meeting to order. Farquar's heart started pounding. Even though he had done many presentations, this was perhaps the most important one. Mr Lee announced that the Chair of the Indian Board, Mr Howland, would be presenting an overview of the Indian practice. He indicated this was a courtesy given to the Indians as the hosts for this Board meeting. Farquar would follow their presentation. Farquar couldn't believe his ears.

As Mr Howland went through his presentation, Farquar's anger increased. The Indians had copied his presentation and were presenting it as their own! Mr Howland was heavily promoting the Indian practice while also identifying the need for improvement and recommending many of Farquar's ideas. His presentation lasted one hour. Farquar had been told that he had one hour to present on both the Indian and Taiwanese practices. Mr Howland ended his presentation to warm applause. There were no questions. Mr Lee announced that Farquar would now give a brief presentation on the Indian and Taiwanese practices.

As Farquar walked to the front of the room, a number of things were flashing through his mind - why wasn't Mr Honeysuckle here, why had the presentation been moved to Friday, why were the Indians given a presentation before him, and the word 'brief' was ringing in his ears. It all seemed so unfair. He was angry. How should he play it? He was still undecided as he stood and looked at the faces before him.

He gave a brief but positive presentation on the Indian practice. He supported Mr Howland's comments and was glowing in his praise of Mr Ganguly, whom he described as working very hard to

turn the practice around. He reported on the key issues facing the practice but indicated that its main problems were lack of experienced staff resources and asked the Board to address this.

At the conclusion of his presentation on India, there was a silence. Mr Ong suggested that this was a strategic review rather than a marketing study. Mr Lee agreed and announced that Farquar had not done as he had been asked. Farquar groaned quietly 'hadn't this been covered at the Executive Committee meeting? Why were they raising it again here?' All eyes turned to Mr Ganguly. To Farquar's great surprise, he rejected Mr Lee's criticisms and said instead that this was a useful report and while he did not agree with everything, he appreciated the advice. He felt that it was unimportant that the scope was beyond the original task because he had received more than expected. There was another silence and Farquar felt relief - 'maybe it wouldn't be so bad after all'.

Mr Lee said 'now the Taiwan report'. Farquar went through the presentation, and while he tried to be positive, he reported on many of the problems he had found. He particularly focused on the lack of organisation and control in the Practice's strategy and marketing and highlighted the 'We never let any fish swim by' philosophy as being indicative of the lack of sophistication of the Practice. He felt it needed a 'best practice' approach to business development, which he had been asked to give them, and he outlined what they needed to do.

At the end of his presentation, there was again a silence. He felt he had done what he had to do. The practice was under-performing and the Board had to be made aware of this. He had also clearly outlined what had to be done to improve the performance. He also felt he had been 'kind' to the senior partners and had tried to show that they were working hard but needed a new way of doing business.

Mr Lee indicated to Farquar that he should sit back down at the table. He then turned to Mr Tai and said 'What do you have to say about this presentation?'. There was another silence as everyone waited to hear his response. By coincidence, Mr Tai was sitting directly opposite Farquar at the Board table. He folded his arms, stared directly at Farquar, and said:

*I completely reject this report as being of no use to the Taiwan Practice and telling me nothing I did not already know.*

There was again a silence. Farquar waited. Surely they did not expect him to respond to this. He had just given his opinion of the Taiwan practice. He waited. Nothing. Where were the members of the Executive Committee? What about Mr Thompson, Mr Bush and Mr Hotch? Hadn't these guys said 'we should do this all over the world?' Nothing. Can't they even think about what Mr Tai had just said - if he had been aware of the problems Farquar had raised - why hadn't he done anything about them? Still nothing. All eyes were on Farquar. His next actions would have a profound impact on his career.

### **Postscript**

What actually happened? It all begins at the Executive Committee meeting. Mr Lee and Mr Ong left the meeting and contacted Mr Tai and Mr Ganguly. Following these meetings, they understand the seriousness of the opposition to the reports. The partners, particularly in Taiwan, were very angry. They next spoke privately to the other Managing Partners about the reports. All were worried about the reports and what it would mean if their Practice came under review. There was general consensus that they needed to support Mr Tai and Mr Ganguly. Mr Lee and Mr Ong had a private meeting and agreed that Farquar had to be stopped. But how?

Mr Lee arranged a breakfast meeting with Mr Thompson, Mr Bush and Mr Hotch early Thursday morning. At the meeting he explained the level of opposition to Farquar's report and argued that the Board must support the Taiwanese and Indians. Anything else would de-stabilise the region and create opposition against the 'Western' management of the Firm. He added that it could have a

negative impact on the Firm's growth in the region rather than the Board's objective for growth. During the meeting, Mr Badge visited them to explain that Mr Honeysuckle had been called back to Australia on urgent business and Mr Lee was to assume the Chair. The Western executives felt they now had no choice; they had to support their colleagues who, after all, were far more important to the Firm and its future than a young man from Australia. Mr Lee indicated he would finalise details by giving the Indians a chance to take 'pre-emptive' action with a Presentation and he would explain everything to Mr Tai and the other Board members.

### Discussion questions

- 1 Imagine you were Farquar, what would you have done differently in this case?
- 2 Why did the Taiwanese react the way they did?
- 3 Why did the Indians react the way they did?
- 4 Why did the members of the Executive Committee react the way they did?
- 5 If you were Farquar, what would you do after Mr Tai's comments (i.e. at the end of the case?)
- 6 From the Firm's perspective, what should have been done differently in this review? Include in your answer, what organisational structure and control you would introduce for the Firm's Asia Pacific operations?

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**APPENDIX 1**

**The Project Findings - Overview**

The Firm provides a range of business advisory services for its Clients. These include ‘compliance-based’ services, such as taxation and accounting audits, and ‘value adding’ services such as corporate recovery and management consulting. The process of selling these services is very different. Compliance services rely upon the Client’s acceptance that the work must be done and done regularly i.e. annually. This work is much easier to sell because the Firm simply has to persuade the Client to use them, usually done through market reputation, and then ensure the work is done satisfactorily. Therefore, the key ‘selling’ is done up front and then the only real marketing effort is in relationship management. The value adding services are much more difficult to sell because the Client must be persuaded that there is a need and that the Firm can create value by doing this work. This selling process is unpredictable and dynamic requiring more complex business development skills.

The Asia Pacific region has growth potential for the Firm. The Firm’s senior management want to ensure that the Firm is sufficiently well placed to capture the market opportunities. The following table compares the Taiwanese and Indian practices with the region’s largest practice - Australia.

Country	GDP	GDP Growth	Revenues	Revenue Growth
India	US\$1,400 billion	6.8%	US\$9 million	20% p.a.
Taiwan	US\$297 billion	6.0%	US\$32 million	17% p.a.
Australia	US\$340 billion	3.5%	US\$252 million	30% p.a.

The table shows that the Australian practice is considerably outperforming the Taiwanese and Indian practices despite having a much smaller economy than India and only a slightly bigger economy than Taiwan. The key concern for Taiwan is that the advisory market is growing rapidly as large numbers of small, private companies are ‘going public’. This means that companies that traditionally have not needed audit and taxation advice, now need these services for corporate governance reasons. The Firm’s senior management see this as a tremendous market opportunity that is not being captured by the Taiwan practice. The Indian practice’s revenues are very small within the context of India’s large economy and illustrate its very low market share. The Firm is also worried that there is a considerable business advisory market in India, particularly from multinationals, that is being captured by competitors.

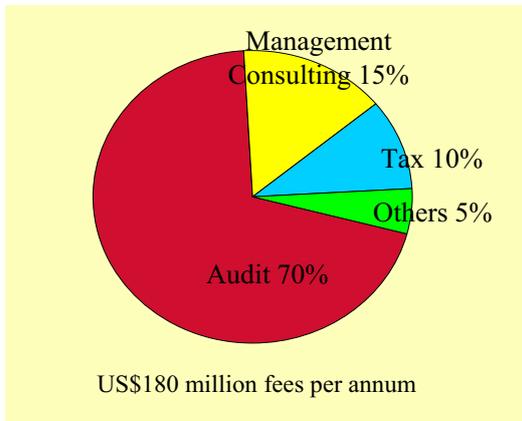
The section that follows provides a brief summary of the key findings of Farquar’s reports on Taiwan and India. It is important to note that these reports were written by Farquar for his ‘Client’, Mr Mosman who asked him to do the study, and Mr Honeysuckle who was responsible for the Asian practice’s performance as Chair of the Asia-Pacific Board.

**The Project Findings - Taiwan**

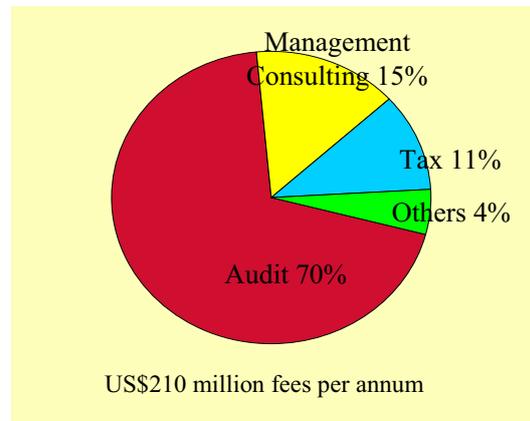
**1 Market characteristics**

At the time of the Project, the Taiwan business advisory market was estimated to be US\$180 million in fees per annum. The following graphics explain the Taiwan business advisory market in 1998 and 2003 (projected at the time of the study).

Taiwan business advisory market share by service area 1998



Taiwan business advisory market share by service area 2003



It shows that the market segmentation was unlikely to change. The only difference is the increase in tax by 1% at the expense of 'others' (e.g. corporate finance). This explains that the Taiwanese business advisory market is 'compliance-based'. This means that companies use business advisors for very specific technical assistance, e.g. audit or tax that is required by law. Most other activities traditionally considered 'value added services' in the consulting world, such as strategy, marketing, information technology, and business process improvement, are done internally rather than sourced externally by consultants. This is an important characteristic of the Taiwan market and reflects its 'immaturity'. In more mature markets, e.g. the United States, Great Britain and Australia, the compliance segments are stable. Companies only need to be audited and have their tax done once a year. The growth is in 'value added service' e.g. management consulting where consultants are continually finding new ways to improve business performance. But...in Taiwan, companies are reluctant to trust this work to consultants and use advisors only when required for corporate governance. Western managers may misunderstand this important point about the market dynamics, yet it is vital in developing growth strategies for the Taiwanese Practice.

## 2 The Taiwan Practice's Market Position

At the time of the Project, the Taiwanese' practice's market position was relatively strong - its market share is 18% - but this is mainly due to its audit practice. The firm is not well placed to improve this position:

- 1 it is a compliance based firm with little chance of becoming a business advisory firm
- 2 it has poor client relationship management which risks existing clients
- 3 it has poor teamwork between its service areas and fails to leverage off its audit client base
- 4 its marketing is very weak

## 3 The Nature of the Taiwanese Practice's Problems

The Practice is focusing on its "factory", which is its core business activity of Audit. The firm has achieved:

- 1 good market growth (17% last year).
- 2 a strong position in audit
- 3 but is faced with staff shortages and poor customer relationships

Some partners feel that the firm is too busy to properly service its existing clients and should focus on this before more growth. However, the Firm's senior management feel that it should and can improve its customer relationships and increase its rate of growth. While 17% growth is good, management felt that 30% should be possible. It was also considered unreasonable to complain that staff were too busy for more growth.

#### **4 The Taiwanese Practice's Customer Relationships**

The Taiwanese Practice has two levels of clients:

- 1 Chairman, Chief Executive Officer (CEO), Managing Director (MD)
- 2 Chief financial officer (CFO) & staff

The relationship at the top level is good but the Practice's future with these clients depends upon the relationship between these senior men and the partner continuing. If either retires or leaves, the relationship may be lost because the relationship at the operational level is poor. If asked their opinion by a new Chairman, CEO, MD, the CFO is likely to complain about the Taiwanese Practice and recommend another firm.

The Taiwanese Practice's problems with its clients involve:

- 1 it must improve its value perception - it is perceived as having a good quality product but is too expensive
- 2 it must improve its service delivery - staff are too busy to service clients properly but can provide quality care when they find time
- 3 it does not understand its clients well and is unwilling to seek client feedback
- 4 it is not good at finding ad-hoc consulting work typical of non-audit consulting
- 5 it fails to provide the business advisory relationship clients expect
- 6 Recommendations

The Taiwanese Practice will fail to capture the market opportunities that exist in the Taiwanese business advisory market unless it improves its ability to provide a business advisory relationship, and adopts a structured approach to marketing.

The Taiwanese Practice can improve its performance as a business advisory firm through partners becoming the client's business adviser, regional coordination, providing unsolicited advice, and providing strategic not just operational or statutory advice.

The Taiwanese Practice's current marketing strategies are summarised by this quote from Mr Sun, the Partner-in-Charge of Marketing (further details follow below):

*"We never let any fish swim by".*

Improved marketing will tell the Practice which fish to catch, what bait to use to catch the profitable fish, and which fish to throw back.

#### **6 Conclusions**

The Taiwanese practice is one of Taiwan's leading compliance based audit firms. It can retain this position by continuing with its current marketing. It would still, however, need to improve its client relationship management or risk losing some important clients. However, the Practice needs to undertake a significant change to its marketing, and indeed the way it conducts its business, if it wants to:

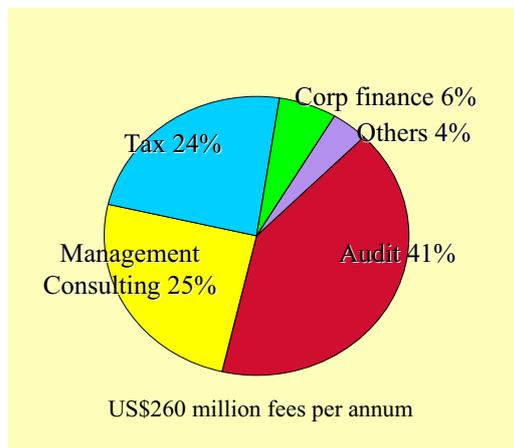
- 1 become a business advisory firm
- 2 achieve its corporate objectives
- 3 improve its competitive position in non-audit areas
- 4 position itself to capture growth opportunities and cope with threats

## The Project Findings - India

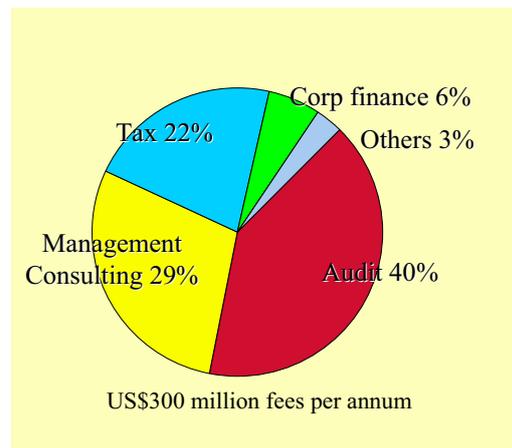
### 1 Market characteristics

At the time of the Project, the Indian business advisory market was estimated to be US\$260 million in fees per annum. The following graphics explain the Indian business advisory market in 1998 and 2003 (projected at the time of the study).

Indian business advisory market share by service area 1998



Indian business advisory market share by service area 2003



It shows that the market segmentation was likely to change only slightly, with the biggest growth area being management consulting. The graphics illustrate that the Indian business advisory market is very different from the Taiwanese market. The Indian market is quite 'mature' and resembles the segmentation of the Australian market. This suggests that the market dynamics will be similar, e.g. customer needs will be much the same and, therefore, the marketing approach that works in Australia might also work in India.

### 2 The Indian Practice's Market Position

At the time of the Project, the Indian practice's market position was weak - its market share was 4% - and the Practice was not well placed to improve this position because it:

- 1 has a confused market image over whether it is an Indian or international firm
- 2 lacks serious investment to match competitors aggression
- 3 is unable to penetrate local market, particularly private sector
- 4 has a weak position in growth segments, particularly management consulting
- 5 has failed to leverage off its multinational (MNC) audit client base in other service areas

### 3 The Nature of the Indian Practice's Problems

The Practice is faced with increasingly aggressive competition as the big global consulting firms position themselves in India.

The Indian Practice's current marketing has created the following issues for the firm:

- 1 it cannot penetrate the local Indian market
- 2 confused market position - international or Indian firm?
- 3 it does not meet critical selection criteria for business advisory firms
- 4 competing in increasingly competitive market
- 5 marketing needs to be organised

#### **4** *The Indian Practice's Customer Relationships*

The Indian Practice's client problems include:

- 1 must improve value perception - perceived as good quality product but too expensive
- 2 must improve service delivery - not proactive advisory relationship
- 3 not performing satisfactorily in the following areas:
  - poor experience and track record
  - low quality of outcomes
  - poor value for money
  - lack knowledge of clients' industry and business
  - lack international expertise

#### **5** *Recommendations*

The Indian Practice will fail to capture the significant market opportunities that exist in the Indian business advisory market unless it improves its capability, experience and track record, staff resources at the senior level, and competes more aggressively.

The Indian Practice can improve its capability through poaching local industry stars (from rival firms) and secondment from an International Firm "skills investment bank".

The firm can compete more aggressively through achieving best practice marketing:

- 1 skills transfer to the Indian Practice staff through a series of workshops and training seminars
- 2 establish a marketing infrastructure through recruitment of marketing professionals and organisational structure
- 3 investment in specific marketing activities (eg. seminars)

#### **6** *Conclusions*

The Indian Practice faces several strategic issues if it is to capture the growth opportunities available:

- 1 local companies will not use the Practice for audit or tax because it is perceived as an Indian firm charging international fees
- 2 local companies and audit client MNCs will not use the Practice for management consulting or corporate finance because of doubts about its capability, experience and staff resources
- 3 the Practice needs to compete more aggressively in all market sectors and should begin by establishing a marketing infrastructure