

The **2004 International Review** outlines how Grant Thornton member firms are **delivering on the promise** to become “first choice” suppliers of audit and specialist services in a...

Grant Thornton 



...professional and corporate climate transformed by new rules and regulations, says David McDonnell. Inspired by...

**Front cover:**

Dinatécnica SA is a leading manufacturer of metal hoses and joints used in industrial applications. With its headquarters in Argentina and operations in Brazil and Colombia, the 35-year-old company is proud to export its ISO 9001-2000 certified products all over the world. Norberto Wiedemann (left front cover) is the company president and a shareholder.

“We’re a family-owned company, so we value personal relationships,” says Mr Wiedemann. “The family has known Arnaldo Hasenclever, our local Grant Thornton partner, for more than 30 years. He truly understands the way our business works and how we want to achieve our goals.”

“It’s important to know that Grant Thornton is there to provide advice and guidance in a timely manner. They contribute to our strategic decision making, helping our firm to grow, and they’ve helped to protect our business when times get tough.”

**...a goal to deliver the best service for both audit and specialist financial services, we have seized new opportunities to provide clients with top-quality international services.**

**A world transformed**

A year ago, in the immediate aftermath of the Enron episode and the collapse of Andersen, we sensed that tremendous changes were about to take place within our profession. Regulators, governments and investors were calling for tighter controls over audit and other professional services, and accounting organisations were preparing to face a range of tougher and more complex compliance issues.

More recently, of course, the Parmalat matter in Italy, has reinforced that debate and has resulted in Grant Thornton International and other accounting organisations operating in Europe to look again at national controls and standards and their implications for international organisations.

Today, we have a far clearer picture of the extent to which these events have transformed our business environment. New rules and regulations, such as the Sarbanes-Oxley Act in the United States, stipulate several areas in which the provision of non-audit services is deemed to lie in conflict of interest with an external audit function. In the interests of transparency, many client companies have



David McDonnell

“...as well as continuing to be among the leaders delivering core assurance services, Grant Thornton member firms are making great gains in picking up new opportunities in both the assurance and specialist services fields.”

gone a step further, and are now looking for assistance from new providers on a wide range of non-assurance matters.

As a result, as well as continuing to be among the leaders delivering core assurance services, Grant Thornton member firms are making great gains in picking up new opportunities in both the assurance and specialist services fields.

### Meeting the need

The past year has seen Grant Thornton member firms channel energy and resources into securing new business where clients of the big 4 in particular sought to buy non-audit services from suppliers other than their auditors. Firms achieved major gains in the core audit and advisory fields, submitting proposals for – and winning – engagements for larger and listed clients that would traditionally have come at the top end of the target market. In addition, member firms also enjoyed a significant upturn in non-assurance engagements, including international tax, corporate finance, corporate recovery, risk management and forensic and investigative assignments.

Taken together, these gains have helped to generate greater recognition of the assurance and specialist service capabilities of Grant Thornton member firms as key players all over the world.

### Protecting our brand

Nevertheless, the realities of this new business climate remind us of a need for caution. While member firms welcome the opportunity to present credentials to new clients, resource should be focused on assignments that are winnable – and where we are confident that our

#### Number of countries

2003	111
2002	110
2001	109
2000	106
1999	100

performance will enhance the reputation of Grant Thornton firms.

Tighter compliance legislation, particularly in the United States, has also led Grant Thornton International to study ways of identifying and minimising potential risks to the organisation. During the last year, Barry Barber, worldwide director of audit and risk management, has continued to maintain and develop review and quality processes for Grant Thornton International.

### Projecting our capabilities

Communicating the skills and capabilities of Grant Thornton member firms to the market has also been a key goal for the year. The almost universal adoption of the Grant Thornton name is something of which we can all be proud. This has been important in allowing member firms to present a consistent image to clients.

Under the direction of Sue Palmer, international director of marketing communication, the international marketing communications team in London has helped firms to develop activities that assist them with profile raising, market positioning and brand building.

As Sue highlights later, initiatives including the International Business Owners Survey (IBOS), an analysis of the attitudes of business owners around the world, the New Markets Guide 2003,

#### Number of offices

2003	597
2002	585
2001	587
2000	621
1999	612

a survey of growth stock markets around the world, and [www.familybizz.net](http://www.familybizz.net), a website dedicated to family run businesses, have all served to create platforms for member firms to use in developing an international profile.

### Boosting skills

The year has also seen much greater sharing of information between member firms. Working groups for audit and tax specialists, and for managing partners, now meet regularly at a regional level. Such cooperation adds value to client service: by strengthening personal ties, sharing knowledge and exchanging technical assistance.

Investment by Grant Thornton International in specialist service capabilities has also led to some landmark achievements. During the year, member firms expanded corporate recovery and reorganisation capabilities in Asia, launched the PRIMA package in Latin America, and brought greater cross-firm working to corporate finance activities in Europe.

### Expressing growth

The past year has been a year of significant organic growth as well as growth through acquisitions for Grant Thornton member firms, in particular, there has been a strengthening of firms in all major economies.

“I am confident that the Grant Thornton network can fully exploit the opportunities that lie ahead. By working together, Grant Thornton member firms can go forward with independence, integrity and confidence.”

After a comprehensive and in-depth review, Grant Thornton decided in December 2003 not to publish the worldwide figures which usually appear in league tables.

In the current environment, when there is an expectation that all significant accounting organisations will report with great transparency, we believe it is now more important than ever that all published data is clear, transparent and easily comparable. The current methodology of international league tables does not achieve this. As a result, Grant Thornton International intends in the future itself to publish aggregate revenues for member firms with fully transparent methodologies.

### **Investing in quality**

In the year ahead, Grant Thornton International will continue to direct its skills and resources towards shared standards for joint audit assignments while investing in capabilities for member firms to perform high-value international specialist services for clients. Exciting changes are in store, particularly in the field of tax, where the goal is for member firms to become the premier providers of tax services in the independent entrepreneurial market.

Grant Thornton International is currently working on an outstanding set of recommendations, developed by Tom Corkhill, Manuel Rajunov and Kevin Thorne, which will result in profound changes in the way member firms can approach international tax assignments.

Greater resource will also be channelled into specialised development funding work, which has already produced a stimulating array of

opportunities for member firms. The coming year, the second in a five-year development programme, will see the production of additional support material, a dedicated website, an intense marketing campaign, and greater efforts to cultivate relationships with key development related institutions around the world.

Targeted assistance for forensic services, such as litigation support, and for risk management services, will also enhance the market position of Grant Thornton International member firms. In light of new “conflict of interest” interpretations, these fields will undoubtedly constitute a significant opportunity for Grant Thornton member firms, and Grant Thornton International will be undertaking a pilot study in 2004 to confirm how best to apportion resources towards further developing expertise in these fields.

### **Education and development**

My goal for the coming year is to work with all firms to continue to develop strengths within the organisation. A key development is a senior management training programme currently under development by Sören Carlsson. The programme will provide accelerated training for potential future leaders within the organisation. The first phase of this project should be implemented in early 2004.

A second priority will be to marshal the skills and abilities contained within the network of International Business Centres around the network. With clients increasingly expanding across borders, it is important to “handhold” effectively as clients do business

internationally. I have asked Sue Palmer to take on an additional role as worldwide director of IBCs.

The coming year will hold particular challenges for the Grant Thornton International organisation especially as the Parmalat matter continues to unfold in the public domain. I am convinced, however, that the year also holds many exciting opportunities to take Grant Thornton member firms to new levels of excellence and development. The network must reinforce the position of member firms in the international market by safeguarding skills in assurance and developing our range of specialist services. I am confident that the Grant Thornton network can fully exploit the opportunities that lie ahead. By working together, Grant Thornton member firms can go forward with independence, integrity and confidence.

David McDonnell is Chief Executive, Grant Thornton International.

E [david.mcdonnell@gtuk.com](mailto:david.mcdonnell@gtuk.com)

W [www.gti.org](http://www.gti.org)

**In the following section, Grant Thornton International divisional directors in The Americas, Europe, Middle East and Africa and Asia Pacific discuss how firms around the world have met the challenges of the past 12 months and the priorities they see for the coming year.**

# Taking the lead in a new environment is paying rich dividends in **The Americas**, says Bob Leavy, as firms seek to boost...

Grant Thornton 

**...delivery of key audit services, while also becoming “first choice” providers of specialist financial services in a climate of legislative change. Reinforcing the integrity of the Grant Thornton brand will strengthen profile and enhance client service quality.**

## **Q. Which political or economic events have had the most impact on your region in the past year?**

“Several factors combined to give a testing year. Unfortunately, flat economic performance in the US economy stifled the business outlook throughout the division for much of the year. The war in Iraq unsettled stock markets in the region, and a modest recovery in US manufacturing output in the second half of the year has yet to translate into sustained job creation.

Canada, too, has faced a mixed year, with the outbreak of SARS – which led to the cancellation of the annual Grant Thornton International conference in September – and a strengthening currency balanced by strong underlying economic performance.

In Latin America and the Caribbean, a robust recovery remains largely dependent on a strong bounce-back in US consumer confidence, although business leaders in Mexico are confident that economic stability will be rewarded with an upturn in inward investment.

In Argentina, Brazil and Peru, the corporate sector has remained largely unruffled by a major shift in the prevailing political climate, with new left-of-centre governments striving hard to combine sustainable economic growth with social reforms. Argentina’s economy is, however,

benefiting from expansion of over 8 per cent during 2003, partly as a result of increased exports. Lower jobless figures and higher salaries indicate that Argentina can expect further growth in the future. On the other hand, continued political uncertainty in Venezuela, Bolivia and Colombia continues to dampen general business confidence in the region overall.”

## **Q. How have legislative changes in the profession affected your region?**

“The major changes stem from the passage of the Sarbanes-Oxley Act in the US and from regulatory directives in other markets that separate audit from non-audit services. This presented member firms with a substantial increase in new opportunities, particularly in the US, where they posted a 27% rise in turnover in 2003 over the previous year. Grant Thornton member firms gained ground as the preferred provider of specialist services to companies whose Big Four auditors were deemed to have a conflict.

Of course, legislative prohibitions on conflicts of interest apply equally to Grant Thornton member firms, and we have, along with colleagues around the world, worked hard to understand how they affect activities. However, as the listed company sector has traditionally accounted for a smaller part of the Grant Thornton firms’ practice than for other accounting groups, the potential to enjoy new business wins has far outweighed losses.”

## **Q. How has your division developed its market presence in the past year?**

“Firms in the Americas have devoted a lot of energy to expanding the firms’ capabilities and increasing visibility in local markets. There has been a marked upturn

in the number of enquiries from other firms interested in becoming members of Grant Thornton International in the year, often from members of other international accounting groups.

In Venezuela, for instance, the outstanding Caracas firm was bolstered by incorporating several experienced new partners.

At the same time, it has been important to confirm that member firms in the region are truly committed to the shared business focus and values of Grant Thornton member firms. During the year, we severed the relationship with the previous firm in Chile, but



Bob Leavy

“We’ve had a marked upturn in the number of enquiries in the region during the year, often from members of other international accounting groups, expressing interest in becoming members of Grant Thornton International”

introduced in its place a well known and respected local firm that is already adding value in the region.”

**Q. Which markets or service areas have seen the most activity by firms in the region?**

“Clearly, the largest revenue increase has stemmed from the upturn in specialist financial services. Even outside North America, many companies are opting to separate audit from non-audit engagements ahead of regulatory changes, particularly on tax issues. Member firms anticipate that revenues will continue to grow in this sector.

In Central and South America, where family-held businesses dominate the mid-corporate sector, the launch of PRIMA has had a significant impact. Firms have worked together to produce a regional PRIMA report, which has generated some impressive media coverage, and the benefits are already flowing in the shape of some notable client gains.”

**Q. Which initiatives have best raised profile or won new business in the region?**

“It has been important to adopt a principle-based approach to the post-Enron market, embracing the spirit of legislative changes rather than simply adhering to the letter of the law.

As a result, Grant Thornton LLP in the US was the first accounting firm to register with the newly created Public Company Accounting Oversight Board (PCAOB), and the first to drop “grey-area” services indicated in the Sarbanes-Oxley Act. Ed Nusbaum, chief executive

of the US firm, was one of only two accountants invited to testify before the US Senate’s Banking Committee. Grant Thornton in Canada, too, has had strong positive feedback from the reputation-building exercise it launched after the Enron events. Also in Canada, the lifting of professional restrictions on advertising has allowed the firm to take a more robust approach to sales and marketing in the form of year-round campaigns in a variety of media.

Elsewhere, awareness of member firms was raised through the use of international research initiatives such as IBOS and PRIMA, which have generated a lot of attention, particularly in the Caribbean and Latin America. The US firm has taken a new approach to advertising with the launch of a major radio campaign involving more than 1,000 spots on hundreds of stations.”

**Q. What are the main challenges facing your region in 2004?**

“Providing training for member firms spread over such a huge and diverse region is a constant challenge. There will be benefit from the use of a web-based communications tool, Centra, to allow member firms to hold business meetings or training sessions online. This software will be rolling out this year, and member firms can anticipate enjoying marked savings in travel time and costs.

Succession planning will also be a major endeavour. Several firms in the division are reaching the stage where identifying and instituting a succession plan is becoming appropriate, and firms will be focusing on how they put this into practice to implement a smooth

transition at a senior partner level in the coming years.”

Bob Leavy is divisional director for The Americas.

E [robert.leavy@gt.com](mailto:robert.leavy@gt.com)

W [www.gti.org](http://www.gti.org)

**The Americas – Number of offices**

2003	224
2002	218
2001	212
2000	210
1999	216

# Firms in **Europe, Middle East and Africa** are prospering, say Clive Bennett and Sören Carlsson, by working together through...

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**...shared ideals, joint investment initiatives and a well-defined brand. As management changes lead to the appointment of a new divisional director, Grant Thornton member firms in EMEA can be proud of being leaders in the independent entrepreneurial market.**

**Clive Bennett assesses recent trends:**

## **Q. What has been achieved in your time as divisional director?**

“During my five years as divisional director, promoting the international capability of Grant Thornton member firms has been paramount. At the same time, firms’ ability to conduct international business has been transformed, growing stronger each year as firms learn to work together more effectively. Even in years of sluggish economic performance or uncertain

business climate, firms have continued to enjoy prosperity and growth.

The statistics are startling. In Europe, for instance, total personnel in member firms grew by 44% in the ten years to 2001, up from 7,300 to 10,500. Over the same period, outbound referrals from member firms rose by 273% and inbound work rose by 351%.

In sub-Saharan Africa, there has been substantial development and today there is a powerful network of full member firms in eight countries, including some of the strongest accounting firms on the continent.

Grant Thornton firms now command visibility and respect in all the key Middle East markets, further enhanced with the addition of new correspondent firms in Iran and Yemen.”

## **Q. What factors have underpinned the region’s development?**

“I believe that two key factors have set Grant Thornton member firms apart from other accounting and advisory groups, winning a market presence that has spawned a huge rise in the number of non-aligned firms seeking to join the organisation.

First, the clear strategy and market focus of member firms has been vital. Target clients are growth-oriented, entrepreneurial and owner managed companies. Not only does this strategy differentiate member firms from those of other organisations, but it concentrates efforts on a resilient and outward-looking market where they can be the leader.

Second, firms have invested in training, technology and service provision, the building blocks to working more efficiently together. This

winning combination led to a real achievement in November when the UK member firm was named ‘Large Firm of the Year’ at the prestigious Accountancy Age awards. The judges, who assessed the quality of client relationships, effective financial management of the business, and innovation in the delivery of services to clients, cited Grant Thornton’s depth and client focus, strong brand and its target-driven culture as the dominant factors in making their decision.”

## **Q. Which initiatives have best reinforced the brand?**

“A crucial factor in increasing awareness of the network has been the almost universal adoption of the Grant Thornton name. In the past two years, existing member firms in Belgium, Denmark, France, Iceland, Morocco, Poland and South Africa have all opted to operate with the Grant Thornton name.

The energy and enthusiasm with which member firms chose to adopt a refreshed branding has helped demonstrate professionalism and efficiency to clients.

Several joint initiatives also served to strengthen firms’ marketing initiatives. For ten years, a number of firms participated in the European Business Survey (EBS), which tracked business confidence, attitudes and trends among small and medium-sized companies. No other organisation has attempted anything similar and we can be proud of our achievement — and of the enormous public relations value the survey gave us.

More recently, the survey has taken on a worldwide identity and the



Clive Bennett

## Europe, Middle East and Africa – Number of offices

2003	279
2002	273
2001	345
2000	309
1999	300

International Business Owners Survey (IBOS) is building further on the success of EBS. The international survey has been influential in raising profile all over the world, but particular congratulations should go to the South African member firm, which held a series of focus groups for target clients in major cities, and launched an electronic “teaser” campaign, a programme for PR and advertising, and an internal communications drive to educate all staff and partners about the survey. Activities culminated in a series of Owners Day events that attracted more than 550 attendees across the country.”

### Q. What factors have led to greater ability to work with other member firms?

“Member firms can now share access to common technical expertise which results in better international client service and a greater flow of engagements.

Cross-border products and initiatives in the international tax and corporate finance fields, for instance, have won both plaudits from clients and a significant amount of new business. By strengthening personal ties, sharing know-how and educating each other, member firms will continue to work better together.”

### Sören Carlsson looks forward to his role:

### Q. What are the main challenges facing the division in 2004?

“Further developing capabilities in Eastern Europe, Africa and Middle East will be a major priority for the network

in the coming year, as the size and vitality of the profession in those regions progresses rapidly. Adding critical mass in key markets, broadening geographical coverage, and encouraging a wider range of service provision will reward member firms with a marked upturn in international business opportunities.

Within the division, member firms will be increasing their emphasis on quality control measures for the services they provide. The mandatory adoption of International Financial Reporting Standards (IFRS) by listed companies in 2005, will necessitate additional focus by European Union member firms. The IFRS standards are extremely rigorous, but it is anticipated that the switch will generate a significant body of new client service work for member firms.”

### Q. What part will the Grant Thornton International organisation play?

“The international organisation has an important role in coordinating joint activities which member firms wish to undertake by providing assistance with new technology and training, and by offering technical guidance.

Market opportunities are accelerating fast in non-traditional areas, such as international tax and corporate finance. Development funding engagements, too, will potentially provide significant business growth in Eastern Europe and the Commonwealth of Independent States. The international organisation is supporting the development of these specialist services in order that member firms can provide clients with the greatest possible assistance when they do business in these markets.”

“The Horizon audit methodology and Explorer software give member firms the opportunity for consistency and better service for international clients.”

### Q. What are your strategic plans for the division?

“Today, the Grant Thornton brand name is a powerful tool in the market, acting as a magnet for other firms seeking to join as members. Most potential new affiliates, recognising the value of belonging to an international network, are only too keen to drop their old names in favour of ‘Grant Thornton’.

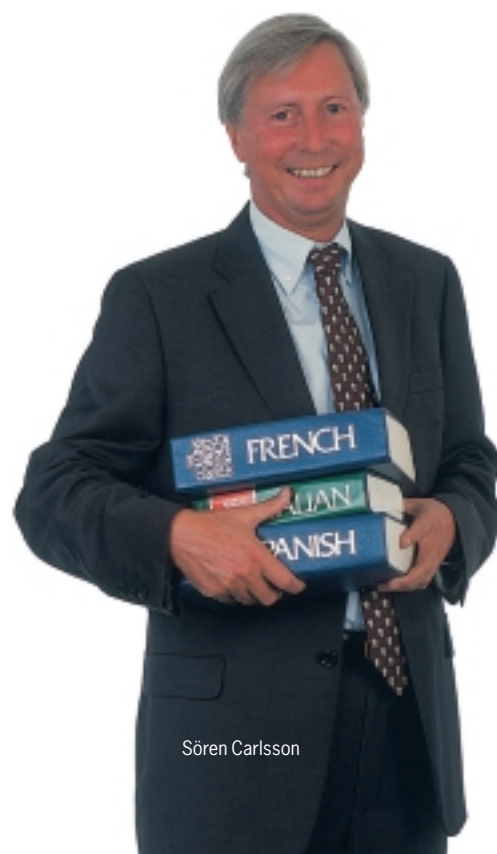
The ability to share a single name, harmonised technology, and a market focus, gives member firms the opportunity to do better international work for clients.”

Clive Bennett was divisional director for Europe, Middle East and Africa from 1998 to 2003.

Sören Carlsson took over the role in July 2003.

E [soren.carlsson@lindebergs.com](mailto:soren.carlsson@lindebergs.com)

W [www.gti.com](http://www.gti.com)



Sören Carlsson

Remaining resolute in a testing environment has proved a major challenge in **Asia Pacific**, says Gabriel Azedo, as...

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**...member firms have focused on consolidation to withstand a difficult business year. Maintaining a strategic course amid an influx of new “conflict of interest” opportunities will dominate the agenda in the year to come.**

**Q. Which political or economic events have had the greatest impact on your region during the past year?**

“Sadly, Asia Pacific was dominated for the first half of the year by the outbreak and spread of SARS. It’s incredible that the economy of an entire region could be so affected by a disease, but the impact of SARS on capital markets, on regional trade and on business confidence was enormous. The region had already been through two years of pretty lean economic growth, and had also seen confidence hit by the after-effects of the October 2002 Bali bombing, so the impact was all the more apparent. Business has begun to pick up again in the last half of 2003, and over the whole year there has been good progress.”

**Q. How have your firms’ activities changed during the year?**

“The bounce-back member firms have enjoyed in the last half has helped overturn some of the year’s bleaker aspects. New enquiries are flooding in from all over the world, and Grant Thornton member firms are visibly gaining more business inflow than other organisations.

The upturn is attributable to a number of factors. All the firms have invested heavily in profile-raising and other activities to position them firmly in

the core target market. The adoption of the Grant Thornton name by all member firms has been important. In the wake of the Andersen collapse, members have succeeded in winning new business where larger organisations are running into ‘conflict of interest’ problems.”

**Q. How have legislative changes in the profession affected your region?**

“Legislative changes spawned by the Enron/Andersen events have yet to make a substantial impact on the domestic regulatory agendas in Asia Pacific. However, as predicted last year, corporate governance issues stemming from such changes in the US market have already started to make themselves felt in the region. The major regulatory issue at present is the April 2004 deadline for Public Company Accounting Oversight

Board (PCAOB) registration for firms wishing to continue working on US assignments.

While many firms are preparing to register, there are still a number of points, particularly concerning privacy issues, that need clarification.

On the positive side, firms have benefited from a marked growth in new business opportunities, both for audit and specialist financial assignments, as a result of real and anticipated legal changes in the United States. Internal audit reviews, for instance, are now deemed to be in conflict with a major auditing function. Boosted by a stronger market presence, and the investments in new technology and services that firms have rolled out, they have been able to prove themselves as a credible alternative to the Big Four.”



Gabriel Azedo

“Member firms have benefited from a marked growth in new business opportunities, both for audit and specialist financial assignments, as a result of real and anticipated legal changes in the United States.”

As for Asia Pacific, recovery will be high on the agenda, for both member firms and their clients. Greater client-led demand for assignments in China is anticipated, which firms will strive hard to make good on the period lost to SARS in the past year. Recovery and reorganisation services, along with audit and specialist financial assignments stemming from ‘conflict of interest’ situations, are likely to provide the greatest service-led business growth.”

Gabriel Azedo is divisional director for Asia Pacific.

E [gabriel.azedo@gthk.com.hk](mailto:gabriel.azedo@gthk.com.hk)

W [www.gti.org](http://www.gti.org)

#### Asia Pacific – Number of offices

2003	94
2002	94
2001	95
2000	102
1999	96

#### Q. How has your region developed its market presence in the past year?

“For the bulk of the year, of course, firms focused on consolidation and have implemented a number of initiatives to enhance performance as significant players in the region, delivering the quality of service clients expect. The geographic presence of the network has been strengthened by the addition of a new service facility in Guam, and the successful start-up of an office in Cambodia, which is now operating smoothly in Phnom Penh as a subsidiary of the Vietnam firm. The affiliate in India has enjoyed huge organic growth, effectively doubling its size over the year and substantially increasing its visibility in the local market, while the firm in the Philippines that we welcomed to the organisation in the early months of the year has become a powerful and active regional presence.”

#### Q. Which markets or service areas have seen the most activity by firms in your division?

“For several years now, firms in Asia Pacific have focused on adding strength and skill to their insolvency and corporate recovery units. As the prevailing business climate here has remained uncertain, they have been able to meet strong client demand for recovery and reorganisation services. The Hong Kong firm recruited a dedicated recovery and reorganisation specialist, Alan Tang, who has helped generate a significant increase in turnover in the practice. The formation of a regional corporate recovery group, including Australia, Hong Kong, Malaysia, New Zealand and Singapore, has also helped to harness skills and will undoubtedly lead

to a greater cross-border workflow throughout the region.”

#### Q. Which initiatives have raised Grant Thornton’s profile or won new business within your division?

“Firms in the region have continued to plough a lot of time, money and effort into profile-raising activities, and have reached the point where the material benefits are becoming more visible. The branding initiative, adopting the Grant Thornton name and coordinating website design have all boosted brand awareness for member firms. New initiatives, such as the International Business Owners Survey (IBOS), have provided firms with additional public exposure, while the New Markets Guide 2003, which surveys growth stock markets around the world, generated substantial interest among banks, regulators, and media.”

#### Q. How will your plans for the coming year enhance the strategic direction of the Grant Thornton International network?

“A major challenge will be to maintain the focus on target market clients, particularly as regulatory change leads to an influx of new ‘conflict of interest’ work. It is always welcome to have the chance to bid for new business, but we must remember that the Grant Thornton member firms have achieved a great deal in establishing themselves as the leading organisation for owner-led, entrepreneurial companies. The strategy is starting to be rewarding, and it will be important in the coming year to keep our eyes focused on that overall strategic direction.

New **international marketing** initiatives have been successful, says Sue Palmer, in establishing clarity about the market...

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**...position of member firms, as well as increasing visibility, name recognition, and raised awareness of their international capabilities. By creating platforms on which to base communications strategies, these initiatives demonstrate to the market that Grant Thornton International member firms are as professional in the approach to marketing as to service delivery.**

#### **Brand strength**

Over the past three years, there have been some impressive goals reached in marketing the network. By defining a clear brand, delivering key messages and developing a strong visual identity, member firms have brought the merits of the network to the attention of all market players.

The choice of member firms to adopt the visual style was a huge task, but they set about the job with great enthusiasm, spirit and professionalism. With the support of the international marketing communications team in London, the style has now been incorporated into advertisements, brochures, proposals, fact sheets and presentations by member firms all around the world.

Key to this was the success of member firms bringing some coherence to their internet presence. With websites fast becoming the first port of call for many potential clients and business partners, it was of benefit to member firms doing international work to deliver a visual consistency on-line. The market's response has been overwhelmingly positive: clients report a much greater degree of comfort and familiarity when dealing with Grant Thornton

International member firms in more than one country. Independent institutions and the media, too, have commended us for the energy and determination we showed in rolling out the visual style.

#### **Increasing awareness**

During the year, member firms have also taken responsibility for raising awareness in local markets of the capabilities of members of the entire Grant Thornton organisation. At the same time, Grant Thornton International is developing a series of bold initiatives around which member firms can develop their communications strategies.

The International Business Owners Survey, or IBOS, has quickly become a

truly worldwide project that reinforces the credibility of member firms with their target market. Twenty six firms are now involved, representing economies that together account for more than 80% of global gross domestic product. To complement the survey, a dedicated IBOS website was launched ([www.grantthorntonibos.com](http://www.grantthorntonibos.com)) which demonstrates an understanding of business owners to a wider audience and offers business owners the opportunity to compare their own position with that of the 6,000 survey participants using the IBOS benchmarking tool.

Two other initiatives also help to underscore knowledge of the target markets. During the year, Grant Thornton International published the



Sue Palmer

“By defining the brand, delivering key messages and developing a strong visual identity, member firms have brought the merits of the network to the attention of all market players.”

New Markets Guide 2003, a survey of growth stock markets around the world. It also launched [www.familybizz.net](http://www.familybizz.net), a website dedicated to family-run businesses and supported by the international PRIMA research. For the first time, this research includes results from family-owned businesses in Latin America, which has helped to attract new enquiries to the organisation.

Finally, an international promotional film was commissioned for use by member firms. Based on endorsements by a diverse selection of international clients, the film will provide a compelling audio-visual presentation of the skills and capabilities of Grant Thornton member firms around the world.

### **Going professional**

Over the past 15 years, regulations in many countries that once limited the marketing and advertising activities of accounting organisations have been relaxed. Developing an active approach to marketing is now crucial to take member firms to the next level of excellence and success.

There has already been an astonishing broadening of marketing capabilities. Some 30 member firms now boast in-house marketing professionals. Given the commitment of the firms involved, not least in ensuring that marketing professionals can attend regular regional meetings to share know-how and “best practice”, the existence of

such a strong network of professionals constitutes considerable progress.

Nevertheless, our marketing needs will continue to grow in order to maximise the visibility of Grant Thornton member firms all over the world, and to make certain that services are communicated effectively to the market place.

Sue Palmer is international director of marketing communication.

**E** [sue.palmer@gtuk.com](mailto:sue.palmer@gtuk.com)

**W** [www.gti.org](http://www.gti.org)

**W** [www.granthorntonibos.com](http://www.granthorntonibos.com)

**I** [content.gtinet.org](http://content.gtinet.org)

# Identifying and **controlling risk** has never been more important, says Barry Barber, as legislators and regulators...

Grant Thornton 

**...adopt new strategies which are set to transform the working environment for accounting organisations. By applying a rigorous standard of quality control and comprehensive risk management measures, member firms can provide clients with a high standard of service, delivered with confidence, integrity and independence.**

## **New laws, new strategies**

Every accounting and advisory organisation faces an array of business risks in the course of its daily operations, including potential litigation, reputational damage and action taken by regulatory authorities. The passage of tighter compliance legislation in the wake of the Andersen collapse, particularly the Sarbanes-Oxley Act in the United States, has highlighted the need for Grant Thornton International member firms to review the way in which they identify and minimise potential threats to both themselves and to the international organisation.

## **Guarding against conflict**

A major change stemming from the Sarbanes-Oxley Act is the increasing separation of audit from non-audit functions. In many cases, Grant Thornton member firms are already benefiting from this new environment, as companies whose auditors are deemed to have a "conflict of interest" engage Grant Thornton member firms to handle specialist financial assignments. However, Grant Thornton International member firms, too, need to check that they do not step unwittingly into conflict situations.

A second requirement stemming from Sarbanes-Oxley is the need for accounting firms that audit financial statements of US public companies to register with the US Public Company Accounting Oversight Board (PCAOB). Created in 2002, the board oversees public company audits to safeguard audit quality and independence for the protection of investor interests. The issues surrounding PCAOB registration are complex, but both the Grant Thornton International organisation and its US member firm have made it a priority to provide adequate support to those firms that are required to register by the 2004 deadline.

## **Protecting the organisation**

Some of the preventive measures we are taking stem from the nature of our organisation itself. Independently owned and operated, Grant Thornton International member firms are linked by federation and not by worldwide partnership. As a result, it is important to make sure that each firm is protected from events that take place elsewhere in the organisation.

In many cases, clearly worded disclaimers on key documents are required in order to establish the jurisdictional limits of Grant Thornton International affiliation.

Obtaining insurance coverage at a reasonable cost is also vital, and we are currently reviewing member firms' insurance facilities to assist them in obtaining a reasonable amount of professional indemnity cover.

## **High standards**

As regulators around the world strive to agree and adopt coherent and mutually acceptable international accounting standards, Grant Thornton International has created the new position of Director of International Financial Reporting. The European Commission's decision to adopt the IASB's International Financial Reporting Standards (IFRS) for companies listed in the European Union by 2005 makes the creation of this post particularly timely.

April Mackenzie, who outlines her thoughts on the new role below, brings a wealth of experience in standard setting



Barry Barber

“Some of the preventive measures we are taking stem from the nature of our organisation itself. Independently owned and operated, Grant Thornton International member firms are linked by federation and not by worldwide partnership.”

to the organisation. She will play a significant part in helping member firms prepare for the adoption of IFRS.

### Ensuring quality

Member firms stand to gain from several new tools offered by Grant Thornton International.

In the audit field, Grant Thornton International has added auditCARE to the Horizon audit methodology. auditCARE is a new software package that helps audit teams investigate, document and assess a client's internal controls, ultimately providing member firms with a greater capability to meet new professional standards designed to detect fraud. Developed by the same team that brought the Explorer software to member firms, auditCARE was released for use by the organisation's larger member firms in mid-2003, and a worldwide rollout is set to follow in 2004.

Grant Thornton International is also developing a template to provide greater consistency in the presentation of its member firms' clients' financial statements. The template, currently at the testing stage, is aimed at providing a consistent look and feel to the audit reports of non-listed clients.

### Keeping informed

Access to audit tools and risk management strategies are provided for member firms on the intranet, GTInet.

Barry Barber is worldwide director of audit and risk management.

E [barry.barber@gt.com](mailto:barry.barber@gt.com)

W [www.gti.org](http://www.gti.org)

I [content.gtinet.org](http://content.gtinet.org)

### April Mackenzie discusses what will be driving the standards for high quality, transparent financial information.

#### Common language

The European Commission's decision to adopt International Financial Reporting Standards is a milestone in efforts to create a single, coherent set of accounting standards around the world. Relevant Grant Thornton International member firms are currently preparing for the change, which will see the consolidated group accounts of all EU-listed companies drawn up according to IFRS from 2005.

My task is to work with firms so that they understand and implement these standards effectively. In addition, by developing centres of excellence within the organisation, firms will continue to nurture their own IFRS expertise, allowing them to interpret and apply new standards as the IFRS body of accounting rules matures over time.

#### Gaining influence

Raising awareness of the capabilities of Grant Thornton member firms among regulatory bodies is another aspect to the job. Fortunately, a significant part of my career has involved liaising with standard setting and regulatory bodies around the world, and I look forward to utilising this experience in order to raise the profile and influence of member firms in an area vital to the future.

April Mackenzie is director of international financial reporting.

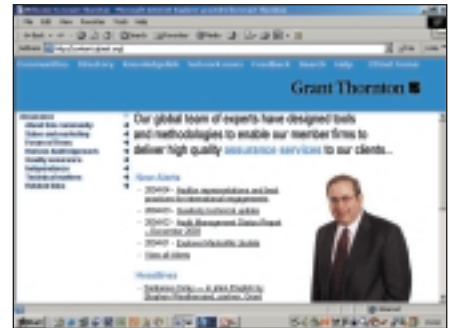
E [april.mackenzie@gt.com](mailto:april.mackenzie@gt.com)

W [www.gti.org](http://www.gti.org)



April Mackenzie

# Overview of strategy for key international services...



## Assurance and risk management

### Assurance

#### Review of strategy for 2003

Our strategic aim is to continue to make it our priority to develop tools and protocols that support Grant Thornton member firms to deliver high quality assurance services to their clients.

During the year Grant Thornton International has helped firms in their moves to conform with the urgent requirements of the Sarbanes-Oxley Act and, where necessary, to register with the US Public Company Accounting Oversight Board by the 2004 deadline.

In particular, the following tools have been made available:

- Explorer, Version 5, updated state-of-the-art audit software providing, among other matters, a more structured approach to planning and increased attention to risk areas
- Sarbanes-Oxley Resource Centre\*
- auditCARE, new software for investigation and assessment of client internal financial control systems, giving greater capability to detect fraud. auditCARE is also state-of-the-art, and unlike anything that our competitors have to offer.
- internal control template, similar to auditCARE, but may be used on consulting engagements without the risk of impairing a firm's independence
- updated Horizon brochure\*
- Spanish translations of various assurance material\*
- updated audit manual\*
- templates and guidelines for formatting audit reports and non-listed client financial statements in a consistent style, currently undergoing testing.

\* available on GTInet

In accordance with the worldwide drive by international standard setters to adopt acceptable international accounting standards, April Mackenzie was appointed to the new role of Director of International Financial Reporting. April will play a significant part in helping firms prepare for the adoption of International Financial Reporting Standards by their clients and in raising the profile of Grant Thornton member firms with regulatory and standard-setting organisations around the world.

#### Expected activity in 2004

To continue developing tools, training and resources to support member firms in their delivery of high quality assurance services. Further rollout across the organisation of tools including refinement of auditCARE and the release of financial statements templates. Further, work will continue on updating Explorer's platform for planned release in 2005.

### For further information...

#### Worldwide Director of Audit and Risk Management:

Barry Barber, Edison, USA  
(barry.barber@gt.com)

#### Director of International Financial Reporting:

April Mackenzie, Edison, USA  
(april.mackenzie@gt.com)

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)

## Assurance and risk management

### **Risk Management**

#### Review of strategy in 2003

- A review of risk management policies and procedures started for speciality services, such as international tax, corporate finance, PRIMA, corporate recovery and reorganisation and assignments funded by international development and finance agencies.
- Review of professional indemnity insurance arrangements.

#### Expected activity in 2004

- Further review of risk management procedures for non-audit services, such as international tax, corporate finance, PRIMA, corporate recovery and reorganisation, and assignments funded by international development and finance agencies. Under consideration are various ways to enhance client acceptance procedures, update engagement letters, and institute additional training for partners carrying out non-audit services.
- Development of minimum professional indemnity insurance standards for all member firms.

#### For further information...

#### **Worldwide Director of Audit and Risk Management:**

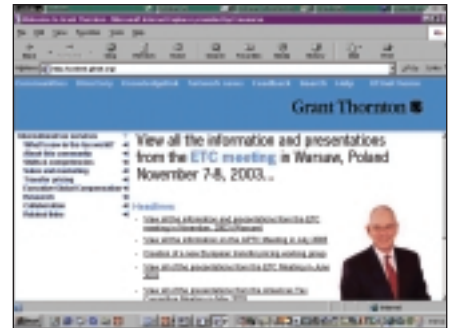
Barry Barber, Edison, USA  
(barry.barber@gt.com)

#### **Director of International Financial Reporting:**

April Mackenzie, Edison, USA  
(april.mackenzie@gt.com)

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)



## International Tax

### Review of strategy for 2003

The Tax Steering Committee's aim in 2003 has been to reinforce Grant Thornton member firms' international network of tax specialists. During the year, there has been more focus on service line specialisms and increased knowledge-sharing between firms through the use of 'brainstorming' sessions and international tax training academies. Particular achievements during the year include:

- delivery of regional meetings for member firms throughout the world
- creating specialist groups across Grant Thornton member firms to focus on service lines such as transfer pricing, expatriate taxes, and indirect taxes. Each specialist service line now has its own leadership group whose primary objective is to promote quality and build new business
- hosting 'brainstorming' sessions to discuss cross-border tax solutions. Such knowledge-sharing initiatives among firms worldwide should boost international tax referrals
- supporting international tax academies, which allow tax practitioners from member firms to increase their international tax knowledge, while building contacts with practitioners from other countries
- recruiting and hiring a secondeed manager, Claude Ledoux from Montreal, to assist the Tax Steering Group with the development of international tax services
- developing a marketing and communications plan with the assistance of the international marketing team. The aim is to increase the profile of member firms' tax services among both internal and external audiences through the development of a tax community on GTInet and through the use of marketing materials such as fact sheets
- increasing marketing and resource capabilities.

### Strategy in 2004

Our strategic aim is to become the premier providers of tax services in chosen markets. To this end the aim is to:

- deliver the first ever Asia Pacific Tax Academy
- develop marketing materials to support member firms' objectives
- continue to develop specialist service lines
- deliver regional tax committee meetings, brainstorming sessions and further training
- launch phase I of a strategic plan.

The strategic plan, delivered in October 2003, included:

- the classification of countries into categories to ensure that member firms' tax capability serves the changing demands of different markets
- the creation of minimum standards of tax provision, dependent on the level of its country classification
- an evaluation of present tax service capabilities
- agreement to development plans and their timescale
- the development of selection and review procedures for tax services to be included in regular reviews of all existing and prospective member firms
- the establishment of policies for training and secondment programs to help member firms with their tax talent through participation in international tax training and secondment programmes
- the implementation of risk management and service delivery policies, protocols and procedures.

### For further information...

**Asia Pacific:** Tom Corkhill, Hong Kong  
(tom.corkhill@gthk.com.hk)

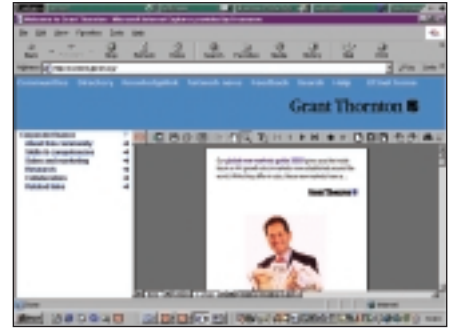
**Europe Middle East and Africa:** Kevin Thorne, London, UK (kevin.thorne@gtuk.com)

**The Americas and Caribbean:** Manuel Rajunov, Dallas, USA (manuel.rajunov@gt.com)

**Contact:** Claude Ledoux, International Tax Manager, London, UK (claudio.ledoux@gtuk.com)

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)



## Corporate Finance

### Review of 2003

Grant Thornton member firms aim to be the leading accounting firms providing corporate finance services to the middle market. Combined, member firms currently rank among the top 5 accounting firms serving the M&A market worldwide – and there is a clear lead between this group and other medium-sized firms. In the market for transaction services, Grant Thornton member firms are leading service providers on deals up to \$100m, worldwide. Conflicts of interest within larger competitors are providing increasing opportunities to supply specialist financial services making this aim realistic in the new market environment.

Key achievements in 2003 include:

- the publication of a new transaction services manual, detailing new provisions for the review of firms undertaking transaction services work
- producing risk management guidelines for lead advisory work, highlighting 'best practice' recommendations, procedures for member firms on accepting new clients, and potential conflicts of interest
- supporting international marketing activities promoted by the London Stock Exchange
- launching the Global new markets guide 2003 for growth capital markets
- exploiting experience in project finance work in the UK to plan the roll-out of services across the wider European market
- concluding a provisional agreement with an independent boutique in Germany for the provision of lead advisory services.

### Expected activities in 2004

Member firms aim to maximise opportunities in the post-Sarbanes-Oxley environment, while identifying and managing risk across all service lines. Key activities will include:

- developing project finance services around the world, including developing effective training and support mechanisms
- expanding the geographical coverage of member firms' M&A practices and broadening the service offering of member firms' existing practices
- delivering training courses in the use of the new transaction services manual
- sharing research resources in the Asia Pacific region, to deliver better quality, expert services
- holding our first worldwide corporate finance conference
- improving the information we collect on our completed deals to strengthen our position in the league tables of M&A advisers
- appointing a worldwide risk and compliance manager.

### For further information...

#### International Director, Grant Thornton

**Corporate Finance:** David Spence, London, UK (david.l.spence@gtuk.com)

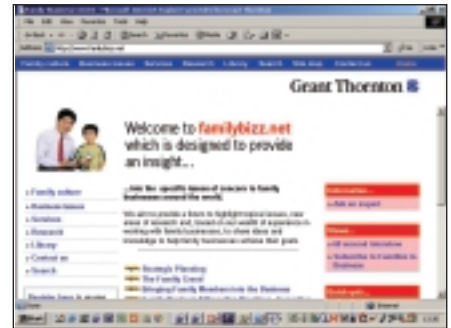
**Contacts:** Edward Turner, International Manager, Grant Thornton Corporate Finance, London, UK (edward.t.turner@gtuk.com)

John Morgan, Researcher, Grant Thornton Corporate Finance, London, UK (john.g.morgan@gtuk.com)

Emilia Ivari, Assistant, Grant Thornton Corporate Finance, London, UK (emilia.ivari@gtuk.com)

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)



## PRIMA

### Review of strategy for 2003

The strategic aim is to use the PRIMA service and associated research to reinforce the leading position of Grant Thornton member firms among entrepreneurial businesses and their owners, winning PRIMA work, increasing the potential for cross-selling other services and winning full-service clients.

PRIMA is now being actively marketed and supported across firms in Europe, Asia Pacific, Latin America and the Middle East, with other member firms currently defining their service offering.

The academic research supporting PRIMA has been completed in 32 countries, along with the first global round of training sessions. In addition, the PRIMA community on GTInet contains technical support tools and details of the PRIMA methodology.

The PRIMA support team and individual firms have devoted much attention to marketing initiatives, including:

- further development of [www.familybizz.net](http://www.familybizz.net), the dedicated external website, successfully launched in November 2002. The website now contains information on topics of interest to family businesses, an online poll, online quiz, and access to a library of books and articles
- the sponsorship by the Netherlands firm of the Chair for Family Business at Erasmus University, which achieved high profile in the Dutch business community
- the creation by the UK firm of the Grant Thornton Centre for Families in Business at the University of Gloucestershire
- the agreement negotiated by the Australian firm with a leading local bank to train bank managers in family business affairs
- the launch of PRIMA in Switzerland in collaboration with Credit Suisse, which is helping to sell PRIMA to "high net worth" family businesses
- the sponsorship by Grant Thornton International of the 2003 Family Business Network conference in Lausanne.

### Expected strategy in 2004

Grant Thornton member firms are now in a leading position to provide advisory services to family businesses. The aim for the coming year is to capitalise on profile raising activities to date to win a wider range of PRIMA assignments around the world. In 2004, attention will be focused on:

- creating additional training events to build on the knowledge and ability of PRIMA national heads in member firms
- communicating "best practice" marketing techniques to firms and supply of new materials
- enhancing quality control and risk management mechanisms for PRIMA assignments
- central support to assist in winning work
- regular updates electronically via the family business website to help attract new work
- bolstering coordination between the PRIMA support team and regional champions
- sponsorship by Grant Thornton International of 2004 Family Business Network Conference in Copenhagen.

### For further information...

#### International Director of PRIMA:

Andrew Godfrey, London/Glasgow, UK  
([andrew.p.godfrey@gtuk.com](mailto:andrew.p.godfrey@gtuk.com))

#### International Director of Development:

Paul Andrews, London, UK  
([paul.andrews@gtuk.com](mailto:paul.andrews@gtuk.com))

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)
- [www.familybizz.net](http://www.familybizz.net)



## Recovery and Reorganisation

### Review of strategy for 2003

The aim of member firms' recovery and reorganisation (R&R) service line is to provide services to financially distressed businesses and their financial stakeholders. Such services can involve realising the value of assets in some form, but the major growth area is in restructuring or reorganising a business to enable it to recover its health.

The need for such services has been growing rapidly in recent years, along with the growth in cross-border ownership of business assets. The global economic slowdown that began in 2000 has also had a major impact on companies in distress, particularly in the telecommunications, energy, media and IT fields.

Achievements over the past year include:

- winning a number of significant cross-border restructuring assignments, including the restructuring of WorldCom Europe
- the continued delivery of a coordinated service offering between member firms in Asia Pacific, led by Australia, Hong Kong, New Zealand, Singapore and Thailand.
- coordinating a regional strategy in Europe to improve market presence.

### Expected strategy in 2004

Helping member firms to develop recovery and reorganisation capabilities around Grant Thornton will be a major focus for the coming year. Particular attention will be devoted to developing a strategy and service offering to US based institutions and intermediaries, as the sheer volume of US capital invested in distressed assets overseas makes it an area with huge potential for growth.

Additional support to be developed during the coming year includes:

- creating a dedicated service line community within GTInet
- producing marketing and communications material to assist individual firms in raising the profile of their R&R service capabilities
- developing an international training plan for member firms to improve the quality and consistency of an international R&R service offering
- developing a programme of regional restructuring conferences for financial institutions and intermediaries.

### For further information...

**Head of Client Service, Recovery and Reorganisation:** Mark Byers, London, UK  
(mark.r.byers@gtuk.com)

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)



## International Development and Finance Agencies (IDFA)

### Review of strategy for 2003

For a number of years (many years in some cases) Grant Thornton International member firms have independently been pursuing and winning engagements with and/or funded by International Development and Finance Agencies (IDFAs). In late 2002 the Grant Thornton International management team and the US firm's Global Public Sector (GPS) agreed to intensify and focus on this area.

During this first year of activity the team:

- concentrated on developing an understanding of which Grant Thornton member firms were working in, or interested in working in, the IDFA marketplace.
- developed an accessible database of useful material related to the IDFA market including member firm qualifications (relevant experience) and resumes of people (from both Grant Thornton member firms and independents) with marketable international skills
- prepared and printed a brochure and supporting inserts describing member firms' interest and skills in the IDFA market
- hired, on a part-time basis, four independent consultants with significant IDFA experience
- determined which organisations are predominant in the IDFA marketplace and began developing relationships with them
- bid - with other firms as the prime contractors – for a series of IDFA (most with USAID) projects and indefinite quantity contracts (IQCs). To date our primes have been successful on two substantial IQCs – anti-corruption and privatisation
- presented plans and progress at Grant Thornton member firm meetings
- distributed nine monthly activity reports and three quarterly newsletters on IDFA related topics.

### Expected strategy in 2004

Our plans for next year include intensifying the effort and expanding on the base built in 2003:

- bidding (with primes) and winning more USAID IQCs – five proposals are already submitted and yet to be awarded. As a point of reference, the new USAID IQCs each will have unfunded ceilings available to five/six contractors in excess of US \$1 billion
- working with key representatives in each region to develop, establish and maintain (with continuous modifications to meet current circumstances) targeted approaches to government opportunities. Starting with Africa, Asia and the Americas, this will quickly be followed by the Middle East, Europe and the Pacific
- moving beyond the IDFA marketplace and assisting member firms in pursuing projects directly with government organisations that are not IDFA funded
- finding, alerting affiliates to, and assisting with IDFA related bids (some as primes) in their countries
- expanding and making databases more user-friendly
- developing collateral focused on selected specific markets; eg, financial management systems
- conducting an international survey – in partnership with the International Consortium on Government Financial Management – on “anti-corruption”
- completing and distributing “user guides” on how to arrange for and sell work in local settings using the first two IQCs.

### For further information...

#### Global Public Sector Partner:

Hank Steininger, Washington DC, US  
(hsteininger@gt.com)

Find out more from:

- [content.gtinet.org](http://content.gtinet.org)
- [www.gti.org](http://www.gti.org)

# For further information...

...visit [www.gti.org](http://www.gti.org) where you can find out more about Grant Thornton International, including details of your nearest Grant Thornton member firm office. In addition, the website features case studies about Grant Thornton member firm clients who have valued our services over a number of years. It also lists the international services offered by member firms and provides the latest news on surveys and publications, including the International Business Owners Survey.

[www.gtinet.org](http://www.gtinet.org) is a Grant Thornton International confidential intranet service available for access by personnel

of Grant Thornton International member firms' personnel only.

Grant Thornton International is a very strong international membership organisation, with each member firm independently owned and operated. Services are delivered nationally by the member and correspondent firms of Grant Thornton International, a network of independent firms throughout the world. Grant Thornton International is a non-practising, non-trading international umbrella organisation and does not deliver services in its own name.

Each member and correspondent firm in Grant Thornton International is a

separate independent national firm. These firms are not members of one international partnership or otherwise legal partners with each other, nor is any one firm responsible for the services or activities of any other. Each firm governs itself and handles its administrative matters on a local basis. Although many of the firms now carry the Grant Thornton name, either exclusively or in their national practice names, there is no common ownership among the firms or by Grant Thornton International.